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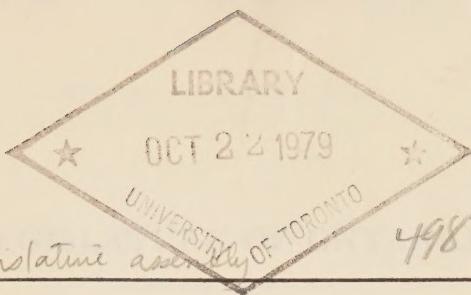


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No. G-1

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**  
Estimates, Office of the Assembly

**Third Session, 31st Parliament**  
Wednesday, October 10, 1979  
Morning and Afternoon Sitting

**Speaker: Honourable John E. Stokes**  
**Clerk: Roderick Lewis, QC**

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### **STANDING GENERAL GOVERNMENT COMMITTEE**

**Chairman:** McCaffrey, B. (Armourdale PC)  
**Vice-Chairman:** Hodgson, W. (York North PC)  
Ashe, G. (Durham West PC)  
Charlton, B. (Hamilton Mountain NDP)  
Duksza, J. (Parkdale NDP)  
Epp, H. (Waterloo North L)  
Handleman, S. B. (Carleton PC)  
Hennessy, M. (Fort William PC)  
Laughren, F. (Nickel Belt NDP)  
Mancini, R. (Essex South L)  
McEwen, J. E. (Frontenac-Addington L)  
McGuigan, J. (Kent-Elgin L)  
Samis, G. (Cornwall NDP)  
Scrivener, Mrs. M. (St. David PC)  
Smith, G. E. (Simcoe East PC)  
Turner, N. (Peterborough PC)

**Clerk of the Committee:** Nokes, Mrs. F.

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# LEGISLATURE OF ONTARIO

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WEDNESDAY, OCTOBER 10, 1979

The committee met at 10:05 a.m. in committee room No. 1.

## ESTIMATES, OFFICE OF THE ASSEMBLY

**Mr. Chairman:** The three parties say we have a quorum. Those members who have the copy of their estimate book could take a look on page eight, Office of the Assembly program. I ask you to co-operate with me. I'm co-operating with Mr. Lewis, who would like us to proceed first with items 2 and 3, those being Office of the Clerk and chief election officer, since he has to leave; then we could move down to item 11, Commission on Election Contributions and Expenses, and proceed in the normal fashion after that. Is that agreeable?

Mr. Bounshall moves that the committee's consideration of Bill 3 be commenced immediately following the conclusion of the assembly estimates, no later than October 31, and that advertising be placed and hearings concluded before passing to other business.

I'm sorry, was that November?

**Mr. Bounshall:** October 31.

**Mr. Chairman:** October 31. Mr. Bounshall, by the way, is a bona fide substitute on the committee today. Is that right, Mr. Bounshall? You have all the reference papers up here and all that?

**Clerk of the House:** The employment standards bill is Mr. Bounshall's bill. It got second reading and was referred to this committee.

**Mr. Chairman:** Is there any discussion on the motion?

**Mr. Bounshall:** I might just explain this private member's bill on equal pay for work of equal value was referred to this committee. It is a concern of our caucus and many of the members, and virtually all of the women's groups across the province, that the committee stage hearings on this bill be dealt with this fall. This is a motion which just gets the bill before this committee for its proper consideration.

**Mr. Ashe:** Mr. Chairman, I frankly think this motion should be tabled at this point in time so the time schedule of this committee can be examined more closely and reviewed

by the House leaders. I understand there is quite a crunch already and a problem in terms of having the estimates finalized before the winter break. It's awful to be talking about the winter break a day before we really start the session but it's not that far away. I understand discussions have already taken place involving the House leaders on this subject. I think any deviation from what they may have already discussed and their conclusions quite rightly should be part of their considerations but should not supersede any decisions they might make.

I would suggest, Mr. Chairman, this motion be tabled and considered at the appropriate time, which is the first opportunity. I am not trying to say that's for ever away, it may very well be the next meeting of this committee, and probably will be no later than one week from now.

**Mr. Chairman:** Thank you, Mr. Ashe. I wonder if I could just ask the clerk to read the motion.

**Clerk of the Committee:** I am just getting copies of it, if you could just wait a moment.

**Mr. Chairman:** Basically, the motion was to proceed with Bill 3 as soon as possible, with a date of October 31, I think, mentioned. Is there any other discussion on Mr. Bounshall's motion?

**Mr. Martel:** I just want to clarify something. It's not within the jurisdiction of the House leaders to determine when a committee will sit. We have discussed the possibility of shifting a set of estimates to this field but in fact—and I think I can speak for the three House leaders although Mr. Nixon is here—we have tried very hard not to be the ones responsible for arranging the order of business or the business a committee will get involved in. If the committee, in its own wisdom, decides it wants to proceed then we will simply have to work around that decision.

**Mr. Chairman:** Is there further discussion?

**Mr. Ashe:** Mr. Chairman, I still feel we should have an opportunity to have the views of the government and the other two parties through the House leaders, appreciating some of them are already here. I was aware there was some consideration vis-à-vis the estimates

being put over to here and that's why I brought that up. I still think that should be part of the considerations and there is no harm done in setting down this motion until the next meeting of the committee.

**Mr. Bounshall:** I'd prefer that we deal with the substance of the motion now, being a commitment to start hearings on it no later than October 31. We'll be no wiser a week from now than what we are now and it's important that we do schedule the hearings on this bill. It's of great interest around the province, to some of the industry as well, that they come in and address the content of the bill. We need time for the normal advertising that takes place for those clause-by-clause hearings. The sooner we determine that we're going to go ahead the easier that will be.

**Mr. Chairman:** Just before I recognize Mr. Epp, I'll read the motion: "That the committee's consideration of Bill 3 be commenced immediately following the conclusion of the assembly estimates, no later than October 31, and that advertising be placed and hearings concluded before passing to other business."

**Mr. Nixon:** On a point of order: assembly estimates or just this set of estimates?

**Mr. Bounshall:** My understanding was that there were as many as 15 hours, which would be three Wednesdays, for this general group of estimates. Is that correct?

**Mr. Nixon:** You mean of the conclusion of those?

**Mr. Bounshall:** The conclusion of those, yes.

**Mr. Nixon:** I should think the assembly is the only one scheduled for today.

**Mr. Bounshall:** There's a total of 15, I believe.

**Mr. Nixon:** They should be referred to as something other than the assembly estimates, because with any luck we'll be finished with the assembly estimates today.

**Mr. Bounshall:** That's why I've got the date no later than October 31. Whatever that 15 hours relates to, that would clear it starting October 31.

**Mr. Epp:** We'll have to change the motion, then, because it says "the assembly estimates", so there's no misunderstanding.

**Mr. Bounshall:** "The conclusion of the general government estimates referred to this committee." Is that okay?

**Mr. Epp:** We have no objection to the motion and we don't think it should be tabled. We're prepared to support the amend-

ment that Mr. Bounshall has indicated he's prepared to put in.

**Mr. Chairman:** You've heard the motion. Any further discussion?

**Mr. Handelman:** I'd like to know which motion we're voting on.

**Clerk of the Committee:** "That the committee's consideration of Bill 3 be commenced immediately following the conclusion of the general government estimates referred to the committee, no later than October 31, and that advertising be placed and hearings concluded before passing to other business."

Am I right, Mr. Bounshall; you wanted that changed slightly?

**Mr. Bounshall:** Yes.

**Mr. Epp:** I just have one question regarding proceeding to other business. I'm just wondering whether that precludes us from doing other business that may appear important at the time. As you know, we've interjected other business from time to time into other hearings—private bills and so forth—that seemed important at the time. I'm just wondering if this motion, if it's passed as stated here, would preclude us from doing that.

**Mr. Bounshall:** The intent there was simply—

**Mr. Epp:** I appreciate what the intent was.

**Mr. Bounshall:** —to have it dealt with in a block but I have no objection if you need to take two hours off to do something else. That's perfectly legitimate. It would be up to the committee to order a reasonable time on that.

**Mr. Handelman:** We're voting on the wording of the motion, not the intent. If you pass the motion as it's worded then you cannot do other business unless you reorder your business. I quite accept the power of the committee to order its own affairs once a matter has been referred to it, I don't argue with that at all.

I must say that having gone through debates on bills of a similar nature before and having spent a great deal of time, energy and public money on the hearings and the time of the committee and then to find that the government is not going to call the bill has always seemed to me to be an exercise in frustration. I don't know what the fate of this bill is. I have no inside knowledge and therefore it would seem to me that Mr. Ashe's motion to table until such time as the House leaders have had an opportunity to consult would certainly be constructive.

Why on earth would we want to go through all of that unless it is to air a matter which the government is not going to call? It's a complete waste of time and money and energy. If that is the case, and that's the wish of the committee, obviously we must do it. There's no alternative. I certainly would vote against the motion. Also, I'd like to ask on the order of—

**Mr. Nixon:** The tabling motion?

**Mr. Handleman:** No, we haven't had such a motion. I understand this is the only motion that has been read by the clerk. The motion to table should, in my view, be voted on first. Otherwise there's not much point in having a motion to table if the motion itself passes. I would vote in favour of tabling it and vote against the motion.

**Mr. Chairman:** Is everybody clear? What are we going to do then, Mr. Handleman? Are we going to vote on Mr. Ashe's—

**Mr. Handleman:** I'm assuming the motion to table takes precedence.

**Mr. Chairman:** Do you want to restate your motion?

**Mr. Ashe:** For the third time? To stray off the motion for a moment, would the next meeting of this committee normally be not till next Wednesday or will it be before then?

**Mr. Chairman:** I think next Wednesday.

**Mr. Ashe:** I would then move that the motion before us be tabled until the next meeting of this—

**Mr. Chairman:** The Clerk of the House is suggesting, and I think he's right, that this be deferred rather than tabled.

**Mr. Ashe:** Deferred for consideration? Okay, deferred for consideration until the next meeting of the committee, at which time we should have before us the views of the House leaders; including the government's, of course.

**Mr. Chairman:** Any comment on that? Can we take that as a motion to defer discussion on that until Wednesday next?

All those in favour of the motion? Opposed? The motion is defeated.

Back to Mr. Bounsell's motion. Are we ready for the question? All those in favour of Mr. Bounsell's motion? Opposed?

Motion agreed to.

**Mr. Chairman:** We will proceed, then, with the committee's concurrence, to item 2, Office of the Clerk, and then item 3, chief election officer, while Mr. Lewis is with us. Mr. Lewis, do you want to lead off?

On vote 1001, Office of the Assembly program; item 2, Office of the Clerk:

**Clerk of the House:** The only thing I can say is that there's nothing out of the ordinary in our estimates for this year. It's just the normal salary increments and that sort of thing.

Item 2 agreed to.

On item 3, chief election officer:

**Clerk of the House:** The same applies to the office of the chief election officer, a very minimal increase to cover the ordinary expenditures of salaries.

**Mr. Ashe:** Just a question: what is the full-time staff complement of the chief election officer?

**Clerk of the House:** It's 11 at present.

**Mr. Ashe:** Eleven. Okay, I'm quite aware of what your answer is going to be in a general sense, but maybe we could just very briefly identify and put on the record what they do during a non-election period. I appreciate some of the things I know that they do.

**Clerk of the House:** Mr. Bailie down there is the assistant chief election officer. The gentleman sitting with him, Mr. Goodwin, is the financial officer. Then we have the director of operations. He's the man who designs those rather extraordinary forms that we have. They have been acknowledged as the best election forms in Canada. Among his many other duties he designs those.

Mrs. Willson is the chief election clerk and she has the general supervision of election clerks throughout the province. Miss Wells is a graduate in political science who is sort of a general assistant over the whole area to assist us all as we may need her. Mrs. Watson is assisting Mr. Goodwin.

I should not have passed Mr. Edwards so quickly. Mr. Edwards is the assistant to the director of operations. The one who serves in that capacity is the person in charge of, among other things, the packaging, shipping and return, and storage of all election supplies. Mrs. Watson is Mr. Goodwin's assistant and the rest are clerical—shipping, storage or filing.

**Mr. Ashe:** What is there to ship? What is there to receive?

**Clerk of the House:** Election supplies—tons of them.

**Mr. Ashe:** The elections don't happen, fortunately, more than every 19 months or so.

**Clerk of the House:** Let me deal with that. By the time we are finished with one election, we are already starting to get ready

for the next election. You don't get ready overnight, you know.

**Mr. Ashe:** Maybe that's one of the reasons we don't go four years any more.

**Mr. Epp:** Mr. Chairman, what do they do if there is an election called? Obviously they'll need a lot more money. Where do they get the money for this?

**Clerk of the House:** Elections are paid for out of accountable warrants issued for the purpose.

**Mr. Epp:** Where do we get that money—the accountable warrants?

**Clerk of the House:** Accountable warrants are issued by the Lieutenant Governor in Council to the chief election officer. Payments of all election costs are out of those accountable warrants, which are then, of course, audited by the provincial auditor.

**Mr. Epp:** They would be shown in the estimates after the next election?

**Clerk of the House:** They are shown in the expenditures but not in the estimates.

Item 3 agreed to.

On item 11, Commission on Election Contributions and Expenses:

**Mr. Wishart:** I think I have very little to offer, Mr. Chairman, except to answer members' inquiries.

At the opening of the examination of our estimates, perhaps I might raise a matter which has given us concern, over the past three years at least. That is the passage into legislation of the estimates which we have recommended, pursuant to the act. These still await the attention of the House and they are, I think, almost entirely administrative. We have sent them forward to the government. We have no minister; we report to the Speaker. Those proposed amendments have been published in our reports each year. I think we have passed two recent ones in the commission. If they could be dealt with, I would like the committee members, as members of the Legislature, to assist us in this.

I think we would conduct a more efficient operation, administratively, if they were passed. We meet some difficulty with certain areas that would be improved if our amendments were adopted. I would hope that whatever could be done to further them at this present session would be done.

**Mr. Chairman:** I recall, and maybe some other members of the committee do too, this was discussed last year at estimates time.

**Mr. Handleman:** I would like to compliment Mr. Wishart on an excellent operation.

It's one I think some of our colleagues in other provinces envy. It is good; it has worked well; it has met the intent of the legislation and I think mostly it's because you and your commission have dealt with offences in a very moderate and reasonable manner.

On the other hand, the intent of the legislation was that certain requirements be met by those who are candidates in general elections and by-elections. I wonder if you would care to comment on the number of violations which you have settled amicably but which in fact occurred.

**Mr. Wishart:** The act has been accepted, generally, very well by the public, by candidates, by associations, by the parties. There are a number of what might be called contraventions because the act says a failure to file a financial return on time by a candidate, by an association, by a party, is a contravention. Section 4(1)(g), as I recall, requires a commission to report any apparent contravention to the Attorney General, and we do that consistently each year.

We don't regard a failure to file on time as a very serious contravention. I would question whether one should prosecute the chief financial officer of a candidate, or perhaps of a party or of an association when it's mostly for the reason that it's just negligence or a little delay or something of that sort. We have been continually trying to improve their performance and this year they have greatly improved. Many of them didn't understand the act thoroughly and we felt that our primary approach was to assist. The act says this in section 4. The first subsection says that our duty is to assist parties and candidates and associations and so on.

There were only two breaches, in the commission's opinion, that deserved possible prosecution. They occurred about two years ago. They were reported to the Attorney General. I should say the offences were the expenditure of moneys beyond the amount permitted, in one case the expenditure of money by a candidate in a fairly substantial amount. We drew it to the attention of the parties offending and the offences were actually cured by a remission of funds. In the meantime we had reported them. It turned out that, under the summary convictions act, at the time they came to our attention, through nobody's fault, the period of limitation for prosecution had passed in any event. So we have had no prosecutions and we have had very good performance by everybody concerned under the act.

**Mr. Nixon:** Just for clarification, when you brought that to the attention of the Attorney

General (Mr. McMurtry), didn't he send it back to you and say: "Do what you want to with it. Don't ask me to do it?"

**Mr. Wishart:** Yes, he did.

**Mr. Nixon:** Was that ever cleared up?

[10:30]

**Mr. Wishart:** The Attorney General and I had a difference of opinion as to who should prosecute. We have carried on a correspondence and we have had a number of interviews over a period of time, over that two years actually. Just recently—at our last meeting in September as a matter of fact—after legal opinion, opinion of counsel and discussion in the commission and so on, we have come to an agreement as to how a prosecution should proceed.

**An hon. member:** What is the procedure?

**Mr. Wishart:** What is the procedure? The procedure is that the executive director, having discovered what he considers to be a contravention, will bring it to the attention of the commission. The last section of the act says that "no prosecution shall proceed without the consent of the commission." That was the point on which the Attorney General hung his hat, I think, that he could scarcely be placed in the position of saying, "I think this should be prosecuted," and then the commission could say, as it has the power to do under the act, "You can't proceed without our consent," which the act clearly says.

But the procedure now is that the Attorney General will bring the apparent contravention to the attention of the commission. The commission will decide and report to the Attorney General, "Here is a contravention which we feel should be prosecuted."

My attitude was that I did not think any agency of government, such as our commission, should proceed to prosecute people without some responsible minister being involved and advising, consenting or directing that the prosecution should proceed. I felt that was proper, because the minister, whoever he may be, is subject to be questioned in the House, to stand up and answer as to why he did or did not prosecute or why he withdrew the prosecution or whatever.

Nobody can get at this commission in that way. So I felt it was a breach of the civil rights of a person to be prosecuted by a government commission without any redress except an appeal to the court.

I felt that if the commission began the prosecution, it was not only the complainant about the offence but also the prosecutor; there was a conflict of attitude or interest on the part of the director: "I am complaining

about this offence, and I am also the prosecutor."

What we have decided now is that the director will bring the matter to the commission, the commission will decide that it should be prosecuted but it will refer it to the Attorney General, who will advise us then as to whether it should proceed. At that point, when he decides "You should prosecute; it is an offence that is worthy or deserving of prosecution," the director will then lay the charge, and the prosecution will be carried on by the crown attorney in the district where the offence occurred, under the supervision of the Attorney General. So we have settled that long-standing matter at last.

**Mr. Handelman:** I just wanted to carry on with the question of offences, because you stressed the word "apparent." In going through your report, which I am sure you are aware is very required reading for every member of the Legislature who looks not only at his own but also at all the others, I note what seemed to me—because I guess I am of a suspicious mind—apparent contraventions that are never acted upon.

For example, where a candidate shows the amount expended as \$12,312 and the amount raised as \$12,312, I know of no campaign manager, including my own, who can manage that kind of exactitude, and I am a little suspicious. In the days before the act arose, as you know, there was a requirement to advertise, and candidates—all persons present excepted—tended just to pick a figure out of the air and say, "This is what I spent." I think the act has had a very good effect on forcing us to discipline ourselves.

When I see that kind of thing, it seems to me it's a *prima facie* case of an apparent contravention; somebody has lied. Somebody has lied, because it's almost impossible to handle that kind of a budget over a short period of time and come out exactly balanced on both sides of the ledger. I wonder if that arouses any suspicions in the minds of your officials.

**Mr. Wishart:** We've had, for example, the type of contravention where there's a limitation on the amount which may be spent for advertising, so much per voter on the list. It's quite apparent, and it's happened in a few cases, where the number of voters in a riding would change and there would be a slight overrun on advertising expense.

It's a contravention but the commission has never felt that to be something that should be prosecuted. In our report to the Attorney General we have always expressed the view

these are such-and-such contraventions. We've generally said in our view—in fact I think we've always said—they deserve or do not deserve prosecution. Only in the two instances that I mentioned have we ever suggested we would favour prosecution.

Now we still will accept the advice of the Attorney General. If he says they should be prosecuted I don't think there would be any bar raised by the commission, although the last section of the act gives us the authority to say no.

**Mr. Handleman:** I don't think you've caught my question; I don't deny there are cases where inadvertently a person may go over the limit or where you have to use discretion, I'm suggesting those cases where—I would assume that a false affidavit is a contravention of the act.

**Mr. Wishart:** At what point would he make a false affidavit?

**Mr. Handleman:** In the example I gave you, I simply don't accept that it's possible in a very short period of time to have an exact balance of total money expended and total money raised. I've seen it frequently throughout the reports over the last two elections. As I say, it raises in my mind a suspicion of an apparent contravention in that somebody has signed an affidavit saying this is true. I say it's impossible.

**Mr. Wishart:** Every chief financial officer of every candidate of every association and of all the parties that are registered under the act must have his accounts audited. The audit report comes to the commission and it bears the auditor's report, his comments. My director happens to be an auditor himself and we thoroughly scan those reports and the figures. I think it's very rarely that we accept them on first presentation. We go back for certain detail and we go to the auditor. The act provides that the auditor has wide powers to check in detail; so do we, we use them. I think I can say without hesitation we don't find people trying to beat the act.

**Mr. Handleman:** In my view, it's more laziness than anything else. It's so much easier simply to do this and not have to worry about surpluses or deficits, and they do it. I'm concerned about the auditors, too, because I look on them as professionals who should be taking an independent look at these accounts. In my view all too often they gloss them over and collect their \$450 or \$500. I just can't accept that that's an accurate accounting of an expenditure during an election.

If somebody put down that kind of thing in a business the auditor would immediately

want to look at it and say, "When you're handling this kind of budget over a short period of time it's impossible to meet it to the dollar or to the cent." It raises suspicions in my mind. Maybe your director might have some comment.

**Mr. Wishart:** I just want to say that the chief financial officers work on a voluntary basis. They are not paid. I did suggest one time—though not in an amendment and I should think it would be an amendment to this act—I suggested that local associations should make some arrangement to compensate their chief financial officers for the great deal of time and effort they put in.

What I want to say is that they are very conscientious. They are very concerned. They are very involved in seeing that their party and their candidate is properly looked after and they do an excellent job.

**Mr. Nixon:** I'd like to ask a question just on what you're saying. Do you get the drift from Mr. Handleman's question that he, in fact, is indicating that the auditors who are paid \$500 by your commission in each constituency are not auditing up to the standard that he would expect?

**Mr. Handleman:** In some cases.

**Mr. Wishart:** In some cases this is true.

**Mr. Nixon:** I really find that very strange, because I figure that for a \$500 fee they ought to get their best auditor for all the time he could possibly spend on it. I think that fee is ridiculously high and I often think when we hand it over to them for a couple of pages of very simple figuring that we're paying them too much.

**Mr. Wishart:** All I would say to that is that in the act you gave us to administer you said that every chief financial officer's account was to be audited, but gave us no authority, no control whatsoever, over an auditor.

**Mr. Nixon:** It's like a doctor.

**Mr. Wishart:** In order to get going and get the thing in on time we can't question his fee. His charge is made to the chief financial officer of the association or the candidate, not to us. We have no authority over the auditor. I think, to be frank, I have to admit that some of the delays which we charge back to the chief financial officer as a contravention are due to the auditor's dilatory methods.

**Mr. Nixon:** You also give him \$250 a year for the yearly audit.

**Mr. Wishart:** We give him what he charges. Some of them will charge \$50, some charge \$200, some charge \$500.

**Mr. Nixon:** Do you have a list of those who charge \$50 for the use of some of the associations?

**Mr. Wishart:** Let me put it this way: not what we could do but what could be done if the act were so designed, would be for the commission to have one or two auditors—I don't know how many we would need, maybe two or three—and audit all accounts ourselves. It would be a matter then of a salaried auditor. The cost, I'm sure, would be much less than what we pay to auditors.

Let me add this: I think there is something to be said on the side of having an auditor in the local constituency, in the area doing the job—

**Mr. Nixon:** It's not always possible.

**Mr. Wishart:** —rather than having a government bureaucracy, if you like, coming in and saying, "We're going to check your books."

**Mr. Nixon:** You'd have no objection if I sent the Hansard excerpt of your words and Mr. Handleman's to the professional association of accountants? I think it's terrible.

**Mr. Wishart:** I've no objection to publishing anything I've said.

**Mr. Handleman:** I just want to know, from the size of your 1979-80 estimates, whether you know something that we don't know. I look at it and I say it's hardly an election year, it's down considerably from 1978-79. I have no idea. Mr. Wishart is the expert in this, but what would you do in the event that something might happen accidentally? With people like Mr. Martel and Mr. Nixon around you never can tell what's going to happen in this situation. It is low. It's considerably lower than your 1978-79 figures. What would happen in the event that you had to suddenly triple that budget in the event of an election?

**Mr. Wishart:** I don't get the question.

**Mr. Handleman:** In the event of an election.

**Mr. Wishart:** What is the question?

**Mr. Handleman:** The question is, you have \$589,000, which is considerably lower than last year and much lower than the amount expended during the election.

**Mr. Wishart:** I think the answer to that is that the \$589,000 is lower because 1977 was an election year and there was a carry-over of candidates' subsidies, certain of them, into 1978-79; and auditors' accounts and so on, auditors' subsidies. You'll find, if you look at our estimates, that our own administrative figures, salaries of our staff and the expenses which were related to the administration of

the commission alone, apart from subsidies, vary only a few dollars from year to year. We are now in our fifth year; they are almost level right along, slightly increased by the virtue of salary increments, over which we have no control.

[10:45]

**Mr. Handleman:** If you did have to, and you don't know this of course, it would have to be on a supplementary estimate in the event there was an election called, you would have to come back.

**Mr. Wishart:** Oh yes; we have done that. We point out when we submit our estimates—

**Mr. Handleman:** I see.

**Mr. Wishart:** —that if an election is called, you are going to have candidate subsidies and auditors' accounts for candidates. We have the auditors' accounts every year for the association, which files an annual return, and the party; but in election year we will shove that up by a couple of billion dollars I think.

**Mr. Handleman:** Management Board says, "Well you go ahead and show the estimates for the normal operation, not an election year, and if something happens then okay."

**Mr. Wishart:** Our normal operation of the administration has varied very little through the four years.

**Mr. Chairman:** Mr. Epp.

**Mr. Epp:** Thank you, Mr. Chairman. I was going to ask Mr. Wishart what he would think of the idea of limiting the amount of money that can be paid auditors to maybe \$250 or \$200 or something of that nature, rather than \$500; and then if associations want to pay more than that money they can pay it out of their own fees rather than have the provincial treasury pay that.

**Mr. Wishart:** It might have some merit. The difficulty, I think, is there are some accounts submitted to auditors from certain parties, or certain candidates for instance, where there is very little activity. I could mention one of the registered parties which has very little political activity and perhaps only three or four items in the whole report or maybe a couple of receipts and a couple of small expenditures.

In other cases, you will have a great many thousands of dollars, a great many instances of receipts and expenditures and quite a bit of work. The auditors' accounts are in no way related to each other. One man may do a great deal of work for which he is entitled to charge a substantial sum, another may do very little and still submit a bill for \$250. This has happened, I guess, but we have no control over that.

Your suggestion that a basic amount be paid and the rest be paid by the association or candidate means it or he would have to raise the funds to do that. That might have some merit but there's no relation between the amount of work one auditor does and what another may do, because the accounts are so different. Some are pages long with many items, and some are two or three items and that's it.

**Mr. Epp:** It would probably follow that those with pages and pages of work to do probably have greater receipts of moneys coming in, and therefore if the expenses are greater they would be able to meet those expenses.

**Mr. Wishart:** This is true, they might have a great many items of receipts; but at the same time they might have a great many items of expenditure and still be in a deficit position. They may have no more ability to pay an auditor than the man who had very little activity.

**Mr. Epp:** You mentioned earlier that you didn't have any control over auditors. What kind of control would you think would be advisable?

**Mr. Wishart:** I hesitate to suggest how we might control the profession.

**Mr. Epp:** Control as far as your commission is concerned.

**Mr. Wishart:** There is only one suggestion I have to offer. I am not sure, as I pointed out, that there is some wisdom in leaving it in the local area. The only way I think it could be controlled would be for us to engage auditors or have them as either temporary or full-time members of our staff and say to them: "Audit this account."

**Mr. Epp:** Maybe, Mr. Wishart, from your standpoint you need more guidelines to the associations on how they might deal with auditors.

**Mr. Wishart:** We have had very sound and capable advice from leading auditors who assisted us in the preparation of guidelines for auditors and who went to meet with the auditors' association, or chartered accountants, whatever it is called.

I think generally the auditors have done a good job, but on the matter of their fee, I'm not in a position to say that too many of them are out of line. For some of them I would observe that maybe I thought they hadn't earned their fee, but who am I to say? I'm not of the profession, I don't know how much work is entailed.

**Mr. Chairman:** Mr. Wishart, I recall last year that ever so briefly we discussed a

matter and I wondered if you could bring us up to date and that deals with the official recognition of political parties. If I recall correctly, a year ago there was a particular party which was very close to meeting the guidelines to become officially recognized. In the last 12 months has there been a change? Is there a new officially recognized political party in Ontario now?

**Mr. Wishart:** No. Of course, the three parties in the Legislature were registered by virtue of the act. We have three additional parties if I can recall them—the Communists, the Northern Ontario Heritage Party and the Ontario Libertarian Party.

The Nationalist Party sought registration and filed a petition which we found inadequate. It did not meet the requirements of the act in our view and we refused. There has been no further approach, although they asked for new petition forms and took them out some months ago. I don't know what activity has gone on about seeking names for a new petition. We've had no indication from the public who have been approached, if they have been approached, or from the party as to what stage they are at. There are quite a number of persons or parties who have written us and said: "Let us have the forms, we are going to form a party."

We have the six parties I mentioned; the three in the House, the Communist Party, the Ontario Libertarian Party, and the Northern Ontario Heritage Party. These persons have sought registration: the Moral Political Party, the Ontario Republican Party, the Ontario Social Credit Party, the Progressive Environmental Party in Ontario, the Unity Canada Party, the Detente Party of Canada and the Women's Party. All these people have applied and have got the petition form but we have heard nothing further. I am doubtful if we ever will except possibly from Social Credit.

**Mr. Chairman:** Thank you. I guess it was the Nationalist Party that was discussed briefly last year.

**Mr. Speaker:** I would like to comment on something that Mr. Wishart alluded to in his opening comments. The commission has petitioned the Ontario Legislature with regard to amendments to the act, which Mr. Wishart says would improve the administration of the act, given their experience over the past five years.

Since I've occupied this office, I have got at least four or five letters from Mr. Wishart indicating changes to the act he thought would enable them to do their job more effectively and more efficiently. I received the

latest one on September 21, which was copied to the leaders of the three parties. I received another one on August 3, seeking amendments to the act. This has gone on over the last two or three years, and to my knowledge no action has been taken.

Mr. Wishart is quite right; he doesn't report to a minister. The person to whom he reports has no authority to introduce legislation or amendments to existing legislation. I think the members of this committee should be aware that the commission and Mr. Wishart are acting under very serious constraints because of their inability to get necessary changes to the act. I think this committee should know this and perhaps they could use their voice and their influence or their report to the Legislature to assist the commission in getting the necessary amendments to the act so that they can do an even better job than they are doing now.

**Mr. Wishart:** Mr. Chairman, I appreciate what the Speaker has said, and I think I should like to say this, in my modest knowledge of government I realize it is the responsibility and the decision of the government as to what legislation is brought forward, and I feel a little bit sensitive if my remarks should be taken as criticism of the government.

I have spoken to the Premier (Mr. Davis) on this subject, not too recently, and he explained to me his reasons for delaying an introduction of such legislation but indicated that it would come forward in due course. His appreciation of the proper time might vary from mine, but we are still doing a good job of administration. It could be improved, as you say, Mr. Speaker, if we had those amendments, but I have followed up the matter with government, and government, of course, makes the decision as to when legislation should be introduced. We anticipate it will come forward in the not-too-distant future.

**Mr. Epp:** In the fullness of time.

**Mr. Wishart:** In the fullness of time.

Item 11 agreed to.

**Mr. Chairman:** Mr. Wishart, thank you very kindly, sir.

On item 1, Office of the Speaker:

**Mr. Speaker:** Our estimate is up modestly, from \$216,000 to \$242,000, and of course there have been some administrative changes. The major increase is as a result of the general increases that were approved across the board for the staff in the Speaker's office and a modest increase in the amount of benefits that accrue to that staff; but we have

some moneys in there that will not be expended.

The Deputy Speaker has only one secretary in his office and is working very effectively in that capacity, but there is money in there should the work load escalate to the extent that he would require another one, and the same applies to the Deputy Chairman.

The Sergeant at Arms and the emolument paid to him has been transferred from the Clerk's office to the Speaker's office. We have increased the pages' salaries to \$10 a day, and we have a teacher and we have an attendant. I think the increase is very modest.

That is all I would like to bring to the committee's attention with regard to the Office of the Speaker.

**Mr. Chairman:** Thank you, Mr. Speaker. I have one question.

From time to time there has been discussion about the jurisdiction in various parts of this building, between yourself, sir, and the Minister of Government Services, if I recall. That being said, I can recall very clearly a motion passed unanimously by the members' services committee here about five or six months ago, which basically requested either yourself or the Minister of Government Services to begin to look immediately at the establishment of a gymnasium, for lack of a better word, in this building, and the motion was quite specific. It suggested that the members' lounge in the basement could well be utilized for that purpose, that there was adequate plumbing, et cetera, and existing shower facilities in that area and that the members' lounge was not used very often. In fact, nothing would be lost.

[11:00]

The dining room, it was suggested, could stay open after eight o'clock at night so that people, either individually or with guests, who wanted to go in, sit down and have a drink, would have the opportunity to do so simply in the dining room area rather than in the members' lounge.

I don't recall if anybody here was on that members' services committee when that was discussed and a unanimous motion was sent both to the Speaker and to the Minister of Government Services. I just wonder if you could bring us up to date on whether anything has happened on that.

**Mr. Speaker:** Your first question deals with the jurisdiction. Of course, it is a split jurisdiction, and it is covered by an order in council that is brought in any time there is a change in the amount of space that comes under the jurisdiction of the Speaker as op-

posed to the jurisdiction of the Ministry of Government Services. That order in council specifically outlines the area of the building that comes under the purview of those two jurisdictions. There is a plan, coded in colour, indicating those areas that fall under either one of those two jurisdictions.

I recall very vividly the action that was taken by the members' services committee with regard to an exercise room or a mini-gymnasium within the building. We are hamstrung, as you well know, in terms of space. The only available area, as you suggest, might be the members' lounge in the basement of the north wing. As a result, Mr. Fleming, the director of administration, undertook to find an alternative to that. We had been approached by Hart House, where they are about to vacate space that is convenient for that specific purpose, and they are locating in new space; so they do have space available that would accommodate all members of this Legislature. Of course, it is a question of whether or not the members, on their own, would be prepared to pay the annual fee that would be charged.

I understand that your members' services committee did poll the members as to whether or not that cost could be underwritten by the members individually or whether the total cost should be underwritten by the Office of the Assembly. I would like Mr. Fleming to bring you up to date on those negotiations and where the matter stands from his vantage point.

**Mr. Fleming:** I believe the membership fee was \$250, which was a special price for members; this would entitle members of the Legislature to go to Hart House to use the facilities there and to use the new recreational facilities that have been recently built by the University of Toronto. It would also enable members to use the dining room, the lounges and that kind of thing in Hart House, and it can be taken up on an individual basis.

I also believe, reverting to the question of the exercise room in the basement, that the Ministry of Government Services did initiate an engineering study of that area, and to my knowledge it hasn't been presented either to the members' services committee or to the Speaker.

**Mr. Speaker:** I might add too, with regard to that space, we have been looking at the catering services in the building, whether it be food or beverage services; as you know, both of those operate at a considerable deficit. Mr. Wilson is responsible on behalf of the Office of the Assembly for liaising with

Mr. Perry, our director of catering services, and they are due to report to the Speaker and to the Board of Internal Economy with recommendations as to how we might bring the cost of operation close to the receipts.

As you know, the provincial auditor suggested we recover the cost of food and beverages from the amount we charge for those services. Both Mr. Wilson and Mr. Perry will be bringing in a recommendation after a year's operation—and the year is just about up—as to the best use to be made of that area of which you speak.

A lot of people feel it's not space that's well used, that we are paying staff down there for providing a service that not too many members take advantage of.

**Mr. Martel:** That's because after he increases the price, every time he has fewer people down there.

**Mr. Speaker:** It's the best deal in town.

Interjections.

**Mr. Martel:** Have you been down there lately, Mr. Speaker?

**Mr. Speaker:** Yes, I have.

**Mr. Martel:** Did you go down and check?

**Mr. Speaker:** Yes, I have. In any event, Mr. Wilson and Mr. Perry will be making recommendations to the Board of Internal Economy as to how they think the space could be best used and whether or not we could attract more users to that area. We are awaiting that report. That's about all I can add to the question.

**Mr. Chairman:** Just one last question on that. You made reference to the colour-coded chart that shows who has what jurisdiction for various parts of the building. I have seen the chart and I will look at it again. Does the members' lounge in the basement come under the Minister of Government Services?

**Mr. Speaker:** No.

**Mr. Chairman:** It comes under you?

**Mr. Speaker:** Yes.

**Mr. Chairman:** Well, then, I have to do it one more time. In that it is your jurisdiction, sir, and a members' services committee, composed of private members representing all parties, passed unanimously a motion that that be made into a gymnasium, can I say, with respect, why should there be another study?

It has nothing to do with food prices. It has simply to do with providing a space in this building—not simply for MPPs but for the many hundreds of people who work in this building and who work in buildings

contiguous to this—that would be open when the Legislature is open, so people have an opportunity to go in, exercise if they wish, or just shower and shave if they wish. We went through this in the members' services committee.

Everybody has the opportunity to spend \$250 to join Hart House or to spend \$450 to join private clubs in and around the city if they wish, and they will always have the opportunity to do so. This had a very special value, I think and I would refer you to the minutes of the members' services committee on this for the many hundreds of people who work in and around this area, to be able to use it as their discretion directed them to, in order to keep more alert, if that was what they wanted to do, or whatever the hell they wanted to do.

**Mr. Speaker:** It was never my understanding that the Office of the Speaker had a direction from the members' services committee to turn that into a gymnasium automatically. I think we have lived up to our obligation with regard to seeing what the alternatives were. It is still under the supervision of Mr. Perry, and after we get a recommendation and some action by the Board of Internal Economy as to what the ultimate use of that space will be, the Office of the Speaker and the Office of the Assembly will act on it.

**Mr. Nixon:** Wouldn't there have to be a resolution of the House in order to do that?

**Mr. Warner:** Just a couple of questions. Why would a report from Mr. Perry or anyone else go directly to the Board of Internal Economy instead of to the members' services committee?

**Mr. Speaker:** We requested that Mr. Wilson and Mr. Perry give us a report on the first year's operations of all the catering services in this building and we are awaiting their experience of one year's operation under the Office of the Assembly before we decide to make any changes.

**Mr. Warner:** That still doesn't answer my question. Why is it important that it should go to the Board of Internal Economy instead of going to the members' services committee?

**Mr. Speaker:** The members' services committee is duly constituted by a resolution in Parliament and it can discuss anything it may wish to discuss in terms of members' services. I don't think they were given a mandate that nothing should happen in this building unless it was approved by the members' services committee.

**Mr. Warner:** No, I wasn't suggesting that. Then would it make sense that at the same

time the report goes to the Board of Internal Economy it would also go to the members' services committee so that it can take a look at it?

**Mr. Speaker:** I can assure you the members' services committee is kept fully informed of anything we do around here with regard to members' services and that includes that particular space and the use to which it will be put, and it will be kept fully informed.

**Mr. Warner:** I guess what I am a little uneasy about is that, based on the report, there would be some action on the part of the Board of Internal Economy. They are not always prone to action, but I am concerned that they would take some action without the members' services committee having dealt with the matter since, I take it, the dining room was set up essentially as a service to members.

**Mr. Speaker:** If you want my assurance there will be consultation on input from the members' services committee, you've got it.

**Mr. Warner:** All right. Like the chairman, I expressed my views on the members' services committee about having some facilities for exercising and that type of healthy physical activity in the building. I gathered from conversations earlier that there wasn't any space available. We only have one caucus room, which happens to be located in the basement of the north wing. We don't have any other place. If there was some other convenient place of equal size, that would be fine. We don't have any other such place, we were led to believe. So I don't know where this gymnasium is to go.

**Mr. Chairman:** I can remember Mr. Bounsell was at the committee that day. I am not a member of that members' services committee but he was, and that was most assuredly discussed in some detail. I don't know whether he was satisfied with the answers or the direction. I think he was, but he would be the best guy to check with.

**Mr. Warner:** It would be nice to come up with some available space and put the equipment in.

**Mr. Handleman:** I don't know whether this is the proper item or not. Mr. Speaker, is your office the one that was doing the negotiating with Via Rail concerning rail passes?

**Mr. Speaker:** Traditionally, it is the Office of the Clerk.

**Mr. Handleman:** I will hold it until that time then.

**Mr. Speaker:** We have already passed that item.

**Mr. Handleman:** We passed it? I am sorry, I wasn't aware of that. You did it before I came in.

**Mr. Warner:** Do I understand room 228 does not come under the Speaker, but that it still belongs to Government Services?

**Mr. Speaker:** That's right.

**Mr. Warner:** Do we have any rational explanation for that? It is used as a committee room, is it not?

**Mr. Speaker:** No.

**Mr. Warner:** What is it used for now?

**Mr. Speaker:** It is a meeting room for cabinet ministers.

**Mr. Chairman:** The justice committee that I had the dubious distinction of being a member of for four weeks met in there every day.

**Mr. Speaker:** They do use it when they are cramped for committee-room space, but it doesn't come under the purview of the Speaker.

**Mr. Warner:** I understand we are generally a little short of committee-room space and it would make sense to use that room as a committee room. I believe the members' services committee had commented on that earlier. The members' services committee had agreed in majority that the room should be used for a committee room and it, therefore, should come under Mr. Speaker rather than being used at the whim of the government.

**Mr. Martel:** Who influences you around here?

**Mr. Warner:** The room next to it, 230, I guess, is used as a government lounge as well, I take it?

**Mr. Martel:** They all have an office now. They are not supposed to.

**Mr. Warner:** I don't know what members are supposed to do in order to get adequate working facilities, but room 228 is needed for a committee room and should come under Mr. Speaker.

**Mr. Speaker:** The members' services committee did bring in another resolution that was passed by the House, indicating the entire building should come under the purview of the Speaker. No action was taken on that.

**Mr. Martel:** May I pursue this? Mr. Speaker, when the various government agencies and ministries moved out, how much of that space did the Minister of Government Services gobble up unto his own party?

**Mr. Speaker:** In the new order in council that I referred to earlier with the colour coding, we did get all of the space on the

third floor of the north wing. We got two or three offices that were vacated by the Resources Development secretariat on the first floor of the east wing. We got seven offices that were vacated by the Justice secretariat on the third floor of the west wing. They are now occupied by members of the Liberal caucus.

We got some of what we wanted on the third floor of the west wing and we got two offices on the first floor of the east wing.

[11:15]

**Mr. Martel:** I happened to be in that group of offices where, immediately some people departed, the Minister of Government Services put Ministry of Government Services people in. I have been down there a couple of times lately. No one occupies that, except about two secretaries at the front. The rest, for all intents and purposes, except for the occasional meeting, are vacant. That is the first floor east.

**Hon. Mr. Gregory:** Occupied by the Ministry of Energy.

**Mr. Martel:** The Minister of Government Services has his name on the door, unless it has changed.

**Hon. Mr. Gregory:** I think you will find the Minister of Energy is there.

**Mr. Martel:** The Minister of Energy has the whole area?

**Hon. Mr. Gregory:** I believe so.

**Mr. Speaker:** I think in fact it is the Ministry of Energy and the Deputy Premier.

**Mr. Martel:** He has grabbed up all of that, that whole corner?

**Hon. Mr. Gregory:** I believe there are some sessional offices in there for some parliamentary assistants or ministers.

**Mr. Martel:** Parliamentary assistants? Don't they have other offices in the building?

**Hon. Mr. Gregory:** Not necessarily. That's what I'm talking about.

**Mr. Chairman:** No, no.

**Hon. Mr. Gregory:** I think it is a figment of your imagination.

**Mr. Martel:** I know the building as well as you do.

**Hon. Mr. Gregory:** You see magic rooms all over the building.

**Mr. Martel:** Don't play games with me.

**Mr. Chairman:** I am not going to play games. I want to say something, as a parliamentary assistant, and I want to make this as clear as I possibly can.

I do have an office—at Bay and Bloor, where the ministry is—like every other par-

liamentary assistant. I have a secretary at Bay and Bloor. I have a phone number at Bay and Bloor. If a constituent is calling me right now, it is ringing at Bay and Bloor.

Like you, the bulk of my day and night I spend in this main building. I have a desk and a phone, a different phone number, and it doesn't matter a damn if it is the same phone number because there is nobody there to answer it, anyway.

So this business about parliamentary assistants having any kind of additional space is a monstrous piece of lunacy. They don't have nearly the basic requirements that an MPP is entitled to in this place. It is a monstrous inconvenience.

**Mr. Martel:** I want to tell you, if you think you are ill done by, you should go back and see other people. We thought we were trying to make the place work when more of that office space was being freed up, but in fact, cabinet ministers grabbed up the lion's share, as usual. That whole wing in the far corner, for example, is predominantly vacant space.

The Minister of Energy (Mr. Welch) might have moved in, but the former Minister of Energy (Mr. Auld), where was his office or her office?

**Mr. Nixon:** In the Sunoco building, where it should be.

**Mr. Martel:** Right, but he must have had a sessional office here.

In grabbing up space, what is happening is that the Speaker has no control, the Minister of Government Services takes what he deems necessary for the Tory caucus and if there is anything left over it is given to the other two parties to share.

Until this building comes under the Speaker, nothing is going to be fair. That little room up above us, with all that wonderful furniture, was put there originally, to serve as a place for cabinet ministers, because they didn't have offices. My friend over there served on the committee, so he knows that well. He also knows what the recommendations of that select committee were, that there would only be eight offices here for the cabinet ministers. They agreed that was all that was necessary, because many cabinet ministers hardly ever go to a sessional office in this building.

El Lorno decided it would be different, that every cabinet minister would have a sessional office, despite the fact they are never filled or never utilized.

Nothing is ever going to change around here until the Speaker gets control of the building. While that office was made, with

all its plush furnishings, for cabinet ministers to meet their constituents or delegations, they have now all got sessional offices. Why then do they retain it? As one of the staff said to me, it is now a room—

**Hon. Mr. Gregory:** That's not quite fair.

**Mr. Martel:** It might not be fair, but you'd better take a look at it from the other side for a change.

**Hon. Mr. Gregory:** I think you should know what you're talking about.

**Mr. Martel:** I think I do.

**Hon. Mr. Gregory:** Not all ministers and not all parliamentary assistants have sessional offices here.

**Mr. Martel:** How many don't?

**Hon. Mr. Gregory:** I couldn't tell you.

**Mr. Martel:** Maybe you should find out.

**Hon. Mr. Gregory:** It is used, I can tell you that.

**Mr. Martel:** Yes, I know it's used. In fact, as one of the cleaning people said to me, "I'm sorry to have to tell you this, Mr. Martel, but that office is used by the caucus." I don't know how true that is. I'm just taking it from the cleaning staff. You already have a caucus room that's much superior to anybody else's.

**Hon. Mr. Gregory:** Our members are also members of our caucus. I don't know about yours.

**Mr. Martel:** That's what I'm saying. El Lorno grabs the lion's share and that's why they won't turn it over to the Speaker, because there might be some fair treatment around this shack.

**Hon. Mr. Gregory:** I just indicated there were certain offices turned over to the Speaker—

**Mr. Martel:** But the lion's share.

**Hon. Mr. Gregory:** —and certainly other members have benefited from this, including the House leader of the Liberal Party. The whips have new offices on the second floor.

**Mr. Martel:** Who got the lion's share?

**Mr. Nixon:** What are you dragging me into this for?

**Hon. Mr. Gregory:** You're sitting quiet and letting me take all this.

**Mr. Chairman:** Does the Speaker have any comments on this? Nothing further?

Item 1 agreed to.

On item 4, Hansard:

**Mr. Speaker:** There are some very good things happening in Hansard. I would like to take this opportunity to thank Mr. Brannan

personally on behalf of all members of the Legislature for the yeoman service he and his staff have performed, not only for the members of the Legislature while the House was in session, but all of the extra work that's been placed on the staff of Hansard as a result of the increased activity of standing and select committees.

I would like to say on behalf of all members that he's done an excellent job. He has got some innovations that I'm sure he'd wish to share with you. We have taken over some space in another building in much the same fashion as they've done in Ottawa to have a semi-separation between Hansard's responsibilities. They will continue reporting what goes on in the House, and we've been able to secure additional space for staff whose main responsibility will be for activities dealing with the great proliferation of committees that we've had in the past couple of years.

I would like to say thank you, again, to Mr. Brannan and allow him to explain what he's done in much more detail.

**Mr. Brannan:** Thank you, Mr. Speaker. My staff thanks you. Yes, we have been trying to struggle along with our existing accommodation and staff. Of course, it has been just about impossible. We realize we do have to expand.

In the current year, the volume of work due to committees has exceeded the work load from the House sittings. That, of course, has caused problems for us. Since the change in the House rules requiring Hansard to record all sittings of standing committees, it has been our experience that the vast majority of committees required a transcript. This has caused an escalation of our work load.

In view of these new demands on Hansard and the limitations of space in the Legislative Building, we have obtained some space in the Whitney Block. We propose physically separating the staff into two groups: the group here handling the House material and probably most of the estimates committees, and the group across the road handling standing committee work. The latter isn't quite as urgent, although we do try to give fast service on it.

The use of the offices over the road for transcribing and editing standing committees doesn't give us the traffic problems that trying to cover the House from over there would give us, so it's a fairly useful arrangement. The two groups will be complementary so that they will be able to assist each other in times of fluctuating work loads between sessions and recesses.

This will require an increase in complement, and we will be coming to you with some supplementaries or probably some staff increases for our next estimates. We may be able to struggle by this year without supplementaries, but we will certainly be coming to you for some more money next year as we enlarge, and as we get into rather more sophisticated areas.

We are getting into word processing. Initially this is costing us money, but eventually we hope the cost will be more than offset by the savings we propose to make in printing. We hope to get involved in the typesetting aspect of the printing, and this should more than offset the word processing costs.

One other thing I ought to make members aware of is a change in our operations, commencing with the resumption of the legislative session tomorrow. As a result of increased sophistication of our electronic system, we are removing our reporters, or "interjectionists" as they are popularly described, from their traditional position at the table on the floor of the chamber.

Interjections have been recorded electronically for some time now, and after successfully bypassing the output of the reporters for an experimental period, we decided—I won't say with the approval of Mr. Speaker, but with the agreement of Mr. Speaker—to eliminate the House reporter position. The three reporters—

**Hon. Mr. Gregory:** You're not making yourself very popular with that decision.

**Mr. Speaker:** Mr. Brannan has assured me that his technical devices will compensate as far as picking up all of the interjections. Aesthetically it can never replace them.

**Hon. Mr. Gregory:** I've never yet seen a machine look like that.

**Mr. Brannan:** I should mention that the individuals at present employed as reporters won't be disappearing; they will continue to serve as committee observers, as you can see Miss Girouard is right now.

I suppose this will give us a little bit more room on the floor of the chamber. I don't know whether we are going to need that room for additional members as the years progress, but I suspect something of the sort may be necessary.

I think that's all I have to say, Mr. Speaker, but I will be very happy to answer any questions.

**Mr. Chairman:** Thank you very much, sir. Any questions or comments? Mr. Handleman.

**Mr. Handleman:** How much of a problem was it under the former practice of sending members their entire remarks? I understand, for posterity, I have now something like 5,000 grammatical errors which I committed. I don't say that you transcribe incorrectly, but under the previous system I had an opportunity to show my constituents, and anybody else who cared to read, that I had a remarkable command of the language by editing—never changing the message; you wouldn't permit that—but by improving the structure and language that I used. We had that opportunity, and we, of course, no longer have it because now all we get is what you are in doubt about, and that's not too much.

Was it an exceptionally costly process to send members the rough transcript of what they had said?

**Mr. Brannan:** It was becoming costly by dint of the sheer volume of the material that we were handling. It became an enormous task and the time constraint is the main problem. We had to try to get this stuff out the same night. We had to have it on desks by the following morning, and we were getting later and later in the morning in finishing these things, and we felt we were getting to the point where we were correcting most of the grammatical errors, and I hope we are. I'm sorry to hear you say that.

**Mr. Handleman:** Well, there are some problems with very parochial terms like Nepean that come out looking something different and it offends the mayor and some others. I have said it, I have garbled it, obviously, because the transcript didn't get it clearly. No, I understand the slowing of the editing process, and that was a legitimate complaint, and the cost. You feel that you are getting most of these little errors?

**Mr. Brannan:** I hope so. As a matter of fact, one of the reasons we are going to this expanded operation is because life has become quite frenetic around the place. The volume has increased substantially: the amount of editing, supervision and training that we have been able to do has been dropping. When we expand, increase the staff, increase the supervision and, of course, get into proofreading—if we're going to get involved in typesetting we have to get involved in proofreading—I hope we may be able to do a better job in the future in catching that sort of thing.

[11:30]

I frankly would hate to have to go back to sending everything out, because we started doing that when we were only covering estimates committees, and now we are covering

standing committees as well and, of course, that has just about doubled the volume. It would be an enormous task and would take a great many staff to do it in the time available to us.

**Mr. Handleman:** Following on that, the federal government has gone to a very unpopular, as you know, cost recovery system for Hansard. Has it been considered at all by the Speaker's office and yourself that possibly one way of improving the service without burdening the taxpayers would be to go on a cost recovery basis in terms of subscription prices?

**Mr. Brannan:** We haven't considered it. It's certainly a thought. It would probably be quite a cost calculation job and we might find the cost of calculating the cost was greater than the cost of doing the job.

Of course, in Ottawa they overcome this problem in a different way, and this is a possibility. The route they go in Ottawa is that the first time it is printed it is simply called the daily report. It is a fully printed Hansard just like the formal document that you get but it is still only a draft. Then they give members about a week or 10 days to send in any revisions or corrections that they may find and the whole thing is then printed again, which as you can imagine is a very costly way of going about it. But it does overcome the problem.

It doesn't help too much, to my way of thinking, because the final printing is confined to bound volumes, library copies and things of that sort. The original daily report, with all the warts and errors, gets out to the constituencies and all the other people using Hansard. So all they are really doing is cleaning up the final bound volume, which to me seems—

**Mr. Handleman:** How many outside subscriptions do you have, other than those that are distributed internally?

**Mr. Brannan:** I believe the paid subscriptions are around 1,500.

**Mr. Handleman:** That's all?

**Mr. Brannan:** Yes, it's very small really. The total distribution is only something like 2,600.

**Mr. Handleman:** Why then is it that every time I make a goof somebody hears about it?

**Mr. Brannan:** It goes to the libraries, media, post-secondary education institutes.

**Mr. Epp:** Do all municipalities get a copy?

**Mr. Brannan:** I don't believe so.

**Mr. Ashe:** Nobody is going to read it, Herb.

**Mr. Handleman:** With only 1,500 it is remarkable that every time we make a mistake it seems to have province-wide distribution. But with 1,500 outside subscriptions I can see why you can't go on a cost recovery basis. The subscription price would be prohibitive.

**Mr. Chairman:** Questions or comments? Mr. Nixon.

**Mr. Nixon:** I just want to ask if the electronic facilities in the Amethyst Room have proved to be a substantial improvement over the other committee rooms, from your point of view.

**Mr. Brannan:** They have, because we have used a new kind of microphone in there which has proved useful, and we have replaced all the microphones in the legislative chamber during this past recess, which should help. The main benefit to us—

**Mr. Nixon:** Excuse me, but would that help the quality of the sound in general, or just the precision of the pickup for your purposes?

**Mr. Brannan:** It should improve the sound in general simply because it has improved the pickup. In other words, at the moment the angle is quite small on the old microphones; on the new microphones there is a wider arc and it should pick up people much better than the old one when they are turning, reading from notes or otherwise not quite on mike.

I don't know if you have ever noticed it, but when anybody who was reading from notes put them in front of the microphone, it caused a considerable loss and the operator was having to compensate for this. With the new microphones there should be a broader pickup, which should improve the sound.

As far as the Amethyst Room is concerned, our main improvement is the fact that it is a permanent installation and everything is plugged together and locked solid and we don't have wires trailing about the floor that get caught and pulled and cause short circuits and failures of that sort.

**Mr. Nixon:** Mr. Chairman, this probably hasn't got anything to do with Mr. Brannan, but having attended one or two meetings in the Amethyst Room this summer, maybe two or three, it may work fine for Hansard, but there really ought to be some sort of public address system in there for witnesses and others.

**Mr. Ashe:** The amplification is lousy.

**Mr. Nixon:** It must be. One speaker is hanging by its wires just now but it really is a bad aspect. The rest of the room seems to be quite nice for lying in state and things like that but—

**Mr. Ashe:** Even though, Mr. Chairman, the Speaker kicked out the committee that had occupied it all summer when it was just going on its quarter-year anniversary. On the last day's deliberations, the Speaker kicked us out and we had to come to this committee room. I thought it was just atrocious.

**Mr. Nixon:** That's why they came in here.

**Mr. Ashe:** Obviously from the look on the Speaker's face, nobody drew that to his attention—as I had asked them to do.

**Mr. Handleman:** And I might say, Mr. Speaker, the committee that came in here kicked our committee out and we had to go down to 263.

**Mr. Nixon:** It's a pecking order and don't you forget it.

**Mr. Speaker:** All I can say is if you were dispossessed, there was a very good reason for doing so.

**Mr. Brannan:** Referring to that one, we are not content really with the public address system in 151. Unfortunately, when it was first designed, I think the aesthetic considerations took over. There are no overhead speakers in that room and here there are concealed speakers.

I am sure we can improve it. The electronics people have been experimenting with speakers in different positions and unfortunately there's a feedback problem. The speakers really should be directly overhead, facing downwards. Of course that would look bad in that room. So we are still working on it and we do hope to overcome it.

I wonder if I could just say a word on interjections before I leave. We have tried to reduce the number of interruptions and interjections in Hansard because we found they were getting to the point where the flow of the main speaker was being quite seriously interrupted—and more seriously interrupted in the printed word, you can understand, than it is in the spoken. A speaker can continue through a barrage of interjections in the chamber, but every time we print an interjection it breaks the flow of the speaker. I have tried to tighten things up a little bit and with the Speaker's agreement, if not approval, I have issued instructions that we should include only those interjections that are relevant or consequential to the discussion.

Interjections.

**Mr. Handleman:** You're going to lose a lot of colour out of there.

**Mr. Brannan:** Unfortunately I only have control over the reporting. I can't control the making of irrelevant and inconsequential interjections.

**Mr. Chairman:** Mr. Brannan, maybe you can refresh my memory on something that came up about a year ago. It was with regard to the sound equipment being at that time purchased for the Amethyst Room and it was not manufactured in Canada. As I recall, the conversation just hung in the air. I don't recall the end result of it, but I assume that sound equipment in the Amethyst Room was manufactured outside Canada. You made reference to some changes in the sound equipment now in the chamber itself. If those changes required purchase of any new equipment, was that equipment manufactured in Canada? Is it yourself or the Speaker who monitors these purchases?

**Mr. Brannan:** Mr. Chairman, when it comes to something as vital as sound in the House, I am afraid we don't care where we get it—we get the best. The best microphones, I understand, are not manufactured in Canada currently. The microphones we use I believe are West German, but they are the best we can find and they suit our purpose admirably.

**Mr. Speaker:** We may apprise the committee of the experience we had with a Canadian company where we practically had to replace everything.

**Mr. Brannan:** Yes, Mr. Chairman, I am afraid that is true. On one occasion we did go for a Canadian supplier for some equipment. This was about four years ago on a low-bid basis. I am afraid the result was not satisfactory. It did result in us having to replace a good many of the items that were installed.

**Mr. Chairman:** Then, Mr. Brannan, am I correct that it's you and the Speaker who jointly monitor these purchases?

**Mr. Brannan:** The Board of Internal Economy monitors anything major. We don't go to them on a day-to-day basis, but if we do any large renovation or replacement work we go through Mr. Fleming to the Board of Internal Economy.

**Mr. Chairman:** I believe you, and I don't doubt that your experience four years ago was not a happy one. Life is a series of surprises to me. I just find it extremely difficult to believe that will continue to be the case—that we can't find something manufactured

here. But as long as people are looking at it I guess—

Item 4 agreed to.

On item 5, sessional requirements:

**Mr. Speaker:** We have estimated \$1 million of that total amount of \$2,131 million is the cost of operating the committees. Most of you are aware that now all of the select committees and most of the standing committees do have support staff—consultants, or legal advisers, things of that nature. The largest single item in that total amount for sessional requirements is for support staff for standing and select committees.

Mr. Miggiani has a breakdown of the total amount, and he will answer any detailed questions that any members may have.

**Mr. Ashe:** Maybe we could get that on a committee-by-committee basis, then, if it is handy.

**Mr. Speaker:** We do have a breakdown of the amount of money, and Mr. Fleming will read it out to you.

**Mr. Fleming:** The Hydro affairs select committee is \$405,000, the company law select committee is \$256,000, the Ombudsman's select committee is \$138,000—I am giving these in rounded figures.

Standing committees: general government, \$58,000; justice committee, \$77,000; procedural affairs committee, \$54,000; public accounts committee, \$16,000; social development committee, \$48,000; statutory instruments committee, \$20,000.

That totals \$1,075,000. In addition to that, there is the \$135,000 budget of the resources development committee, which has yet to come before the Board of Internal Economy. That would total for the committees, for the fiscal year, \$1,211,600.

**Mr. Handleman:** I might say the public accounts committee is the lowest-spending committee of them all, and I think that is a tribute to its chairman and its members.

**Mr. Warner:** That is about half. What is the remainder to be used for?

**Mr. Handleman:** Petty cash.

**Mr. Fleming:** There is \$510,000 for printing of bills, and legislative maintenance is \$621,100. The \$621,100 would cover some fairly substantial items such as \$60,000 for printing equipment—this would be in the caucus print shops; the repair and maintenance of chairs and other items in the legislative chamber; the refinishing of the legislative chamber desks.

In addition, there is an item of \$225,000 which was placed in the estimates for the

renovation of the library, which Mr. Land might speak to when that item comes up. There is a sum of \$94,000 for furniture for members and caucuses and secretaries of members.

The amount that was expended for equipment in committee rooms 151, which is the Amethyst Room, and 228, in connection with committee meetings, is \$40,000.

In addition, there are a number of smaller items. Formerly, the salaries of the drivers for the Leader of the Opposition (Mr. S. Smith) and the leader of the third party were allocated against the administrative office and those are now allocated under sessional requirements. Overtime would be included in that, employee benefits, rental of mobile telephones for those cars—equivalent to the type of service that ministers have—and several thousand dollars for long-distance calls in connection with those phones.

[11:45]

Then there is, of course, the opening of Parliament—the horse guards' payment. That covers an item of \$14,000 for lapel pins for members.

Mr. Warner: How much?

Mr. Fleming: Fourteen thousand for lapel pins.

Mr. Warner: When do I get one?

Mr. Speaker: You distribute them every day to your constituents.

Mr. Warner: Oh, those ones.

Mr. Fleming: Then there is stationery for members' desks, \$5,000, and then for the handbook for the Legislature which is still in the process of being produced, there is an allocation of \$7,500.

Mr. Warner: I see. How much did the cutting out of the band for the opening save us out of that account? You paid the horse guards out of that account. How much did we save by not having the band?

Mr. Speaker: Mr. Wilson could answer that.

Mr. Wilson: Mr. Chairman, having been personally involved with the band, I can speak with a great deal of experience. There was nothing saved or nothing spent in having the band. The band is provided free of charge.

The payment you make for the horse guards is basically for transportation of horses and the rental for the day.

Mr. Warner: Why was the band cut out then?

Mr. Wilson: I would rather not go into that.

It was because the people involved are basically militia men, and this is a spare-time activity. It was during the middle of the day and a sufficient number couldn't get time off work.

Mr. Warner: I think I know the reason. It was just an empty gesture of how the government, the Premier (Mr. Davis), was trying to indicate that it is pruning things.

Mr. Speaker: That is not an expenditure, so there wouldn't be a saving.

Mr. Warner: The public didn't know that. I doubt that the members knew we were saving money, but it sure looked good.

I remember the little news item at the opening, "We are not having the band. This government is trying to show the people of Ontario that we are being prudent with their money." The fact of the matter is there wasn't any money involved.

Mr. Hennessy: That's being prudent.

Mr. Warner: It never ends. It never ends over there. Incredible.

Mr. Ashe: I have never seen such a cynical person.

Mr. Warner: Incredible. Now the facts come out. There wasn't a dollar involved.

Interjections.

Item 5 agreed to.

On item 6, members' indemnities:

Mr. Handelman: Within this item falls the insurance program for members, or perhaps it comes under one of the other items to follow, such as group insurance. Mr. Wilson, is it in this vote?

I wonder if I could just ask Mr. Wilson a question because this subject came up during our select committee on company law, the question of long-term disability for members and how on earth it can ever possibly apply to a member who draws his complete salary until he ceases to be a member, regardless of his disability, both the government and the member contributing.

We tried to ask London Life the question, how a member who is permanently disabled could ever collect his long-term disability coverage when obviously he is not going to claim it while he is a member because he continues to draw his full indemnity as a member. Nobody can take that away from him.

The day the writs are issued and he retires, he ceases to be eligible for any of the long-term disability which London Life offers, and I just want to find out—perhaps you can tell me—how on earth we got conned into paying for a benefit that will never be paid?

**Mr. Wilson:** Mr. Chairman, we have an example of the fact that that is not true. We have Mr. Richard Smith, you may recall, who resigned due to ill health—

**Mr. Handleman:** He served out his term.

**Mr. Wilson:** —and an election was called.

**Mr. Handleman:** That's right.

**Mr. Wilson:** His ill health was partially the result of his service as a member. Until the day he died, he was receiving long-term income protection.

**Mr. Handleman:** We used Dick Smith as an example, where he would draw his full indemnity up until the day he retired, obviously.

**Mr. Wilson:** Yes.

**Mr. Handleman:** There is no way to cut that. Presumably then this was a gesture on the part of London Life, because the day the writs were issued he ceased to be a member. When you cease to be a member, according to the booklet—I would have brought it with me today—all the benefits under the program cease except for 30 days conversion privileges which you can convert, and I want to ask you about that later, but your eligibility for long-term disability ceases.

If it was done for Mr. Smith, I am happy to hear that. On the other hand, if it was done as a gesture on somebody's part rather than a right, I would like the explanation.

**Mr. Wilson:** No, there was no gesture involved. We discussed this very thoroughly with London Life to make sure it was legally applicable, and it was in that case.

**Mr. Ashe:** If the disability commences while the coverage is in force, it carries on until the termination of the disability. If it is permanent, it would carry on until death.

**Mr. Handleman:** The way the policy reads, as I read it, it is when the disability allowance is paid. In other words, if he was getting his disability allowance as a member, it would carry on to the age of 65 or death, whichever occurs first, no problem about that. Was the claim made before Mr. Smith ceased to be a member?

**Mr. Wilson:** Yes, I believe so. It was made, as a matter of fact, I think the day prior to the writ being issued. He had been suffering from ill health for some time, as you know. There was no illegality about it at all. It was examined very carefully.

**Mr. Handleman:** So that the claim was filed while Mr. Smith was still a member. If that is the case, I can understand. That would be the only circumstance under which it could happen, I would imagine.

**Mr. Wilson:** I really couldn't answer that. Each individual case has to be considered on its own merit.

**Mr. Handleman:** In discussing with London Life, their view was, unless the disability allowance was paid—I would assume it applies to employees of government as well, because they have much the same plan. In their case, of course, they would actually claim the disability allowance while still an employee, whereas, in this case, if a person was disabled at home and the writs were issued tomorrow, unless that member knew the writs were going to be issued, he would be in a terrible position.

**Mr. Wilson:** Not if he was disabled prior to the writ being issued. If he was at home right now, for example, and it was apparent there was very little likelihood of him returning whether a writ was issued or not, it would be quite legitimate for him to file a claim.

**Mr. Handleman:** I know that. I am simply saying, he wouldn't know when the writs were being issued and he would be lying there deathly ill, or something, and somebody would have to think of filing a claim on his behalf before the writs were issued, because he would be getting his full salary.

I would hope that filing the claim would not then put him on disability allowance and say then his indemnity would not be paid. In any case, I wanted to raise it because we couldn't get the answer. I think I do have the answer now.

The other thing I wanted to ask you about, because we have had some arguments with London Life about this in the committee, was the conversion privileges which apply not only to members, but to all government employees. When they cease to be employees or members, they have 30 days in which to convert. The question is, convert to what?

London Life says they have the right to convert to term insurance at individual rates. The Consumers' Association of Canada says they have the right to convert to term insurance for one year at individual rates. There is a great difference, because the normal conversion is to age 65. What happens if you only have it for one year, and then you are uninsurable?

**Mr. Wilson:** This is, of course, a matter between the individual and the insurance company itself, but my understanding from experience is that it is convertible for life. I don't think there is any restriction on it, not that I have heard of.

**Mr. Handleman:** You say it is between the insurance company and the individual, it is not in the master—

**Mr. Wilson:** It is an individual application.

**Mr. Handleman:** I know that. It says right in our little book, you make your arrangements with the insurance company. Their answer is, yes, you have convertible term insurance for one year.

**Mr. Ashe:** Yes, but normal conversion rights in most policies—frankly I am not as familiar with our own as I should be—are that your conversion privileges and guarantees are to permanent insurance only. So it would be unusual in itself.

**Mr. Speaker:** May I suggest, Mr. Chairman, that we prevail upon Mr. Handleman to approach his committee on company law to make a submission to the Board of Internal Economy so that we make sure we have adequate coverage and that we are getting—

**Mr. Handleman:** I'm thinking of all the government employees as well, but this is an opportunity to talk with the members who are in much the same plan.

**Mr. Speaker:** But obviously you have been much closer to the situation than the Board of Internal Economy, and I can say on behalf of the board, we would be happy to receive a submission from your committee.

**Mr. Wilson:** I will certainly inquire into that, but that is the first mention I have had of a restriction on the conversion policy. My understanding was that it was for life.

**Mr. Handleman:** The question arises of whether or not after that one year you are insurable at all. This is really a problem.

**Mr. Wilson:** Right. I will certainly look into it as well with the employee benefits.

**Mr. Ashe:** Mr. Chairman, is the latest increase for the members, which was really retroactive to the beginning of the fiscal year, in these figures, or is that a supplementary?

**Mr. Miggiani:** That would be supplementary.

**Mr. Ashe:** I assume the same thing applies to the Speaker, is that correct? I didn't ask that earlier.

**Mr. Miggiani:** Yes.

**Mr. Ashe:** What is that number, by the way? What would be the basis of the supplementary? What is the amount?

**Mr. Miggiani:** It would probably be somewhere in the region of \$300,000. That takes care of everything.

**Mr. McGuigan:** Mr. Handleman mentioned the business about the issuance of the writ as being a cutoff date. My understanding is the member is still paid until he is either elected or defeated in a subsequent election.

What if a member decides after the writ is issued that in his opinion, and in his doctor's opinion, he is not in a sufficient state of health to carry on or contest an election? Is he then covered under the London Life insurance program?

**Mr. Wilson:** There again, Mr. McGuigan, each case is considered on its individual merit. The point Mr. Handleman makes is quite true, it is an odd circumstance. The plan that applies to the standard employees is exactly the same as applies to the members but the circumstances are somewhat different.

They have admitted to me in discussions with them that sometimes a decision has to be made at the time because of the circumstances. The only instance we have had so far was that of Richard Smith and we had no problem at all in obtaining the benefit for him.

**Mr. McGuigan:** I see it as being quite different in that in a normal employment situation an employee would probably go on as long as he possibly could, but in a member's situation where one is considering the welfare of constituents, a member could very well say, and a doctor would of course have to agree, he was just not in health to contest and to carry on for another four years of the sessions. I think this matter should be clarified a bit.

**Mr. Warner:** Can you tell me when the last time was that retired members of the assembly received an adjustment in their pension?

**Mr. Fleming:** I think it was in 1977. We will check on that.

**Mr. Warner:** When will there be an adjustment? When will the next adjustment in those pension levels for retired members take place?

**Mr. Fleming:** This has been placed before the Board of Internal Economy within the past year and the board decided they would take no action, pending receipt of the report of the government royal commission on pensions, which we now understand is going to be released some time in the spring of 1980.

**Mr. Warner:** Which means action on that probably wouldn't take place until the fall of 1980, and if you are right that the retired members' last increase was in 1977, those

members who served in the capacity of elected members of the assembly for a period of time will not have their pensions adjusted for a period of three years or longer. That doesn't seem fair or reasonable to me. What does it take to get the Board of Internal Economy to make the kind of adjustment that is needed?

**Hon. Mr. Gregory:** In all fairness, I don't think the government members' pensions are indexed or supposed to be. There is nothing mandatory about reviewing them every year.

**Mr. Warner:** I didn't say indexed, I just said adjusted.

**Hon. Mr. Gregory:** That requires an index in order to adjust.

**Mr. Warner:** Some change in their pension. Otherwise you are saying whatever pension level they received in 1977 is adequate today. I don't believe that is so. It's not a huge number but there are several retired members of the assembly who are receiving pensions and, if they don't get an adjustment for three years, I don't think that's reasonable.

[12:00]

**Mr. Speaker:** There is some difficulty in that, Mr. Warner, inasmuch as some of the retired members are getting a rather high pension, and a good many of the others are getting very low pensions. It gets back to whether or not the Board of Internal Economy should recommend an across-the-board percentage increase, which would mean that those drawing high pensions would benefit the most while presumably the ones you hope to assist would get a relatively small amount.

It's a question of whether you give a lump sum amount to each retired member or whether you do it on a percentage basis. As Mr. Fleming has said, we have had the people from the Ministry of Government Services working on the thing. Then, when we weren't getting anywhere with that, we tried to find out what the royal commission on pensions was doing, and they promptly told us they couldn't offer us any relief until their report was made public. Mr. Fleming has been told that it won't be published until the spring.

**Mr. Warner:** I understand that, and I appreciate the point about the differential in the pensions. I certainly wouldn't want to see an across-the-board percentage applied. I can think of a couple of backbench members who served in this place for the best part of 20 years whose pensions are not very high and who deserve an increase. I don't see why you can't make that increase. I don't see

why you can't adjust that. The alternative you suggested is possible, or a sliding scale percentage increase is possible.

I wouldn't want to see an across-the-board increase, but there should be some adjustment. When you think of a member being here as a back-bencher for 20 years, and then not having his pension adjusted for three years—

**Mr. Martel:** If they didn't get to the cabinet, they are in tough shape.

**Mr. Warner:** That's right. If they didn't make it into the cabinet, they are not going to get a decent pension.

**Mr. Ashe:** A significant number of them have income from other sources.

**Mr. Warner:** Don't bet on it.

**Mr. Ashe:** I am sure that doesn't apply to everybody; I acknowledge that.

**Mr. Martel:** I think I asked this, but maybe I didn't; can you tell me whether, in the federal House, members contribute to their pension on their basic indemnity, or do they make their contribution on any other little plum they might have as they go along, including a cabinet minister's salary?

**Mr. Fleming:** I can't tell you, Mr. Martel; maybe Mr. Wilson can.

**Mr. Martel:** Could you find that out for us for the next board meeting? That's where one of the inequities enters into it. I realize it's a difficult area, but that's where we are always going to have that problem around here. One only has to look at the pensions for members from your own party, I say to the Conservative members, who have been around 20 or 24 years; their pensions are pretty bloody low when you compare them with that of somebody who has been around 10 or 12 years but was in the cabinet. The comparison between the amounts is really horrendous.

I think of Allie Johnston, who I guess was here 24 years, and his pension is no raving shakes after 24 years. Then I look at somebody else I won't name who was in here maybe 10 or 11 years but served in the cabinet for five years; his pension is double that of someone like Allie Johnston. It is really an unfair system.

**Mr. Chairman:** His contributions must have been significantly higher too.

**Mr. Martel:** Oh, his contributions were higher.

**Mr. Chairman:** This is an incredibly complex thing. We are talking about indexing, whether we want to call it something else, or adjustment; it's going to be based on some formula, and it's immensely complicated. You

can't have a set of guidelines here that differs from the private—

**Mr. Handleman:** I suppose, since the pension is based on the highest average number of years, you will always have this kind of inequity. When you speak of Allie, I think of Erskine, who served for 16 years, and I know his pension is quite low. But it's perhaps a problem of the system, and that has to be re-examined; that's why we have a royal commission looking at it. I don't think we should be prejudging what comes out of that very exhaustive inquiry at the royal commission.

I understand the concern, and certainly it could be achieved by a simple ad hoc decision without any background to it. It might be wiser to wait and have a rational decision about a reform of the system.

Is this the item where we talk about members' accommodation allowances as well?

**Mr. Chairman:** Before we move into a new line of questioning, Mr. Hennessy was on the list. Mr. Hennessy and then Mr. Handleman.

**Mr. Hennessy:** Just one thing, Mr. Chairman, with regard to what Mr. Handleman and I think Mr. Warner said about members and insurance. Once you cease to be a member, you don't have the same power as you had when you were a member of the House. You have to deal with the insurance company as an individual; you have no help because of the status you held before. I think this puts a person in a very poor position.

I would like to see some guidelines or some rules set down so that people would know you have to bargain individually; you are only one member. When the insurance company is dealing with you at that time you are not a member, you are only a plain Joe and you don't have the same people to call on as you had before, unless they are personal friends and they try to help you.

I would like to see better guidelines for the members and, if it is possible to secure insurance after you have finished being a member, that the members be notified of that. A lot of things happen here where there are things available but you don't know about them until you see somebody else with them and you say "Gee, where can I get those?"

Then you find they were there all the time but you didn't know. There are so many loopholes and so on here that it's very difficult to find them all.

I am concerned about that. If an individual Joe Blow is not a very forceful individual, he won't get that insurance, because the insurance company won't give it to him, although he was a former member. But we

should be advised more by the House that there are better safeguards. I am looking at that as a way to protect a member now, when he is a member, to let him know that's available for him when he does step out, instead of him having to negotiate for himself, because then he hasn't got a chance in hell.

The members will say, "Well, it's too bad he didn't get it," and go onto the next order of business, and the guy is out on his can.

**Mr. Wilson:** Mr. Chairman, what you can get and what you can't get is laid down basically in the contract between the insurance company and the Ministry of Government Services. We don't have the negotiation of that; that's done by the employee benefits branch of the Ministry of Government Services. Of course, their bid is based on what they are required to provide. But it is built into the contract, and the stipulations are included in the little booklet you receive on your insurance plan.

In the past, when an election has been called, or a member has resigned for any reason, we normally inform him of what his entitlements are and assist him in any way that it is possible in terms of making applications or what have you. However, we are bound by the limitations imposed by the insurance company when they tender. If they say you can only get \$1,500 insurance, we can't do anything about that.

It is simply a case of the member applying to the insurance company and saying, "I want to carry it on," but if we can help in any way we certainly do. As I say, it's not a matter of interceding, but we do advise you of what your entitlements are and of how you go about obtaining them.

**Mr. Hennessy:** It's a truth in public life or any other life that when you are visible you're a great guy, but once you lose that MPP title you can walk down the street and the same people won't say hello to you. That is what happens, especially in public life. If you have a million dollars and you haven't got it tomorrow, you won't have the same people phoning you.

I'm just saying at that time there should be the same protection when one individual is trying to apply for it. I don't think they look as favourably on it when a lone ex-member applies for something as they would if you people applied for something; that's what I am trying to say.

**Mr. Wilson:** When we retire we're in the same position. It's man on man, really; that's what it boils down to.

**Mr. Hennessy:** God help us all.

**Mr. Chairman:** Any other questions? Mr. Handleman?

**Mr. Handleman:** I just wondered if this item covers members' accommodation allowances.

**Mr. Chairman:** Yes.

**Mr. Handleman:** The provisions of the Legislative Assembly Act provide that your salary continues until you are replaced. In other words, if you are defeated or retire, the salary continues up until the time of your replacement.

Strangely enough, the accommodation allowance is cut off the day the writs are issued. As I recall, the intention of the accommodation allowance was to deal with members who had gone through the process of paying for their own accommodation, who had decided the hotel life was not for them—they wanted to have an apartment where they could have a cup of coffee and so on—and had decided to take an apartment.

Obviously, under an apartment you are in a long-term tenancy. So presumably if the writs are issued—and I have not been through it as a back-bencher, because a cabinet minister's allowance is continued—the back-bencher's accommodation allowance stops the day the writs are issued, even though he has a lease and he is required to pay rent on an apartment and everything else, or if he retires. Is that the case?

**Mr. Fleming:** Right.

**Mr. Martel:** I had to pay during the election last year. I gave up my apartment.

**Mr. Handleman:** I know. I'm saying I haven't been through this. I'm looking at it now from a different perspective because when I was a cabinet minister my apartment allowance was paid according to my receipts, which never reached the maximum.

I think the accommodation allowance is generous. However, it does seem to me that it puts a back-bencher in the position where, if he is in an apartment, he pays for something that he doesn't use for a period of, say, 60 days. I think that's the notice required now under the Landlord and Tenant Act. Then he has a problem getting it back if he is re-elected. If he is not re-elected, there is no problem because he has given his notice and he moves out.

It would seem to me that the accommodation allowance should continue. If this is a matter of legislation—and it is, as I recall, the Legislative Assembly Act—it should be brought to the attention of the Board of Internal Economy for possible amendments to that act.

**Mr. Speaker:** Maybe you should speak to Mr. Gregory.

**Hon. Mr. Gregory:** Doesn't the member's salary continue until election day?

**Mr. Handleman:** Yes, his salary does.

**Hon. Mr. Gregory:** Then why would expense allowances not?

**Mr. Handleman:** That's what the act says.

**Hon. Mr. Gregory:** You were a cabinet minister for five years and I've been one for 10 minutes and you are going to speak to me?

**Mr. Handleman:** No. But I am saying that you're on the Board of Internal Economy. You have the power now.

**Mr. Martel:** I think I said about accommodation a while ago that if you are on an equal footing—

**Hon. Mr. Gregory:** You've said it several times.

**Mr. Martel:** Yes, but it doesn't sink in very quickly, though. That's part of the problem.

**Mr. Handleman:** The act is quite clear on it. It says that's one of the allowances as well as travel allowances. I can understand the travel allowances. You are in your riding running for re-election or you have left, but the accommodation is something that's beyond your control to stop. The bill goes on and, as Mr. Martel says, it comes out of the member's pocket, which doesn't seem to be quite fair because it is allowed while he is a member. When we get to constituency offices, you will notice we do allow for a three-month transitional period where the government picks up the bill.

**Mr. Martel:** They should put you on the members' services committee because there is nobody who is now more aware of what happens to back-benchers and cabinet ministers than you. You should go on that committee because one of the continuing battles is to try to get equal billing, if I might use that term that way, with the cabinet around this place—nothing extra.

**Mr. Handleman:** Oh, I'm happy. I'm just pointing out some of the flaws.

**Mr. Martel:** Yes, and that's all I want you on the members' services committee for, to continue to point out those flaws.

**Mr. Bounsell:** Further to the point that is being made by Mr. Handleman, all of us running for re-election are optimistic—retirement is another matter. We are not all going to have the time at the moment the election is called, or we think we don't have the time, nor do we have the frame of mind to give our two months' notice the day the

writs are issued on an apartment which we have. In the event of the person being defeated, not only do they have the accommodation throughout the election period but the due notice then required thereafter. Perhaps that section should be amended to be similar to the section where, if defeated, the salary continues so that the accommodation expense allowance continues.

**Mr. Handleman:** Similar to the constituency office.

**Mr. Bounsell:** Yes, that's right, for 90 days until you can get out of it.

**Mr. Chairman:** Where are these matters then going?

**Mr. Martel:** I would hope the members' services committee would send them to the Board of Internal Economy.

**Mr. Handleman:** It's on the record now. I wanted to get it on the record so that the Board of Internal Economy would look at it. I understand the legislation ties the hands of the office.

**Mr. Speaker:** In keeping with something that was said earlier, maybe the members' services committee might wish to look at that and make a recommendation to the Board of Internal Economy.

**Mr. Chairman:** I think we had better be very specific as to where this goes. This is like a floating group-therapy session.

**Mr. Warner:** You've got to change the act. We can discuss it all we want.

**Mr. Chairman:** Who is going to take it from here?

**Mr. Martel:** If the members' services committee sends it to the Board of Internal Economy, then it can be referred. There are three cabinet ministers on the Board of Internal Economy.

**Mr. Bounsell:** I think that would be the most direct route because they could recommend just as easily as the members' services committee. The members' services committee usually recommends to the Board of Internal Economy anyway, so why not get it there right away?

**Mr. Martel:** If you get it in some sort of a recommendation—

**Mr. Handleman:** It's on the record. I don't think this committee has any power to refer anything. It's something for us to consider.  
[12:15]

**Mr. Martel:** I would like to see the channel established whereby the members' services committee makes those recommendations to the board. It's all right for us to say it's on

the record but the board should get a formal notice. Our meetings are loaded as it is. We run backlogs because we don't meet all the time.

I would hope the recommendation could come from the members' services committee to the board. If we have something that says, "Here's a recommendation. Are you prepared to act on it?" then the board can discuss it.

**Hon. Mr. Gregory:** I think there is a lot to be said, if I may comment on that, for the need for speed. It is a hole, it's certainly a flaw that could put a member in a lot of trouble if the writ were to be issued. Perhaps something should be done. I'd be delighted to bring it to the Board of Internal Economy so that we could proceed with all haste. Whether in fact it passed or not, I don't know. Certainly we'd get it before the board in a hurry rather than dithering around with another committee.

**Mr. Chairman:** Agreed.

**Mr. Martel:** This is one incident, one set example. What I would hope for is that we establish things such as that the members' services committee would channel stuff to the Board of Internal Economy. I'm just looking for a procedure for various items, as opposed to just this one specific item. If we could establish that routine, then things could be handled that way. That's what I want to make.

Item 6 agreed to.

On item 7, members' support services:

**Mr. Handleman:** I'm trying to figure out what this item covers. Perhaps Mr. Speaker or staff could—

**Mr. Fleming:** It covers, entirely, members' secretarial assistants—their salary, their benefits including their pension arrangements.

**Mr. Handleman:** I do have a question on this. As I understand it, the pension contribution of the members' support staff is mandatory. Has the argument ever been put that some of them are in the work force on a temporary basis, that their spouses are fully pensionable and that many of them are working for the immediate dollar that they get, that the deduction is somehow detrimental to what they consider their welfare and that they should be permitted to opt out of it?

**Mr. Wilson:** Mr. Chairman, there is a contract established between ourselves and at least the Board of Internal Economy and the Ontario Municipal Employees' Retirement Board. In a situation like that, the pension plan is intended for full-time continuing employees. If employees are taken on for full-time employ without planning to be—in

other words, if they're actually supposed to be on a casual basis—there's no requirement for them to belong to it. But many of them want to have their cake and eat it too. They want to have the full insurance benefits, the OHIP premium paid and everything else, without participating. This prejudices against the individual who is an ongoing, full-time employee.

**Mr. Handleman:** It isn't optional on the part of the employee?

**Mr. Wilson:** Not unless he is a casual employee.

**Mr. Handleman:** Yet as I understand it their job security is somewhat less than ideal, in that if they are assigned to a specific member and that member is defeated or retires they have no tenure.

**Mr. Wilson:** Well, some of them have been there over 20 years.

**Mr. Handleman:** Oh, I know that. But some of them haven't.

**Mr. Martel:** You should have a collective agreement in your caucus.

**Mr. Handleman:** Well, you can do that.

I was just thinking that in light of the lack of job security, it would seem to me they might be considered as contract employees, and have the option if they are going to be permanent. Perhaps that would be part of that option. But in many cases, of course, they look on themselves as contract employees rather than permanent employees.

**Mr. Warner:** Why do they need the union?

**Mr. Handleman:** They don't need the union.

**Mr. Ashe:** That's the last thing they need.

**Mr. Handleman:** I thought I should raise it because they really do not have the kind of tenure the permanent employees have.

**Mr. Bounsell:** This includes, as you say, all the support services to the members, including their assistants here at Queen's Park. That's my understanding. Only the Queen's Park assistants.

The members' services committee passed a motion in June, I believe it was, that that part of the study concerning benefits to employees, done through Mr. Wilson's office, be extended to include the situation of the assistants here at Queen's Park. That was a study being done during the summer. Could we ask Mr. Wilson what the conclusions of that investigation were, with respect to the salaries and benefits of these legislative assistants to members?

**Mr. Wilson:** Mr. Chairman, there was a young lady hired for the summer to examine the classification system in the office of the Legislative Assembly, and the members' services committee requested this be extended to the legislative assistants. This was done. She consulted with a representative from each of the three caucuses and my understanding was that she had asked for further information on certain of the responsibilities and so on, which had not been received.

Unfortunately she had to suspend the study because she learned that her father was dying of cancer and she had to return to Ottawa, so that at the moment it is in abeyance. The last word I had was that she was awaiting further information from the representatives before completing that part of the study.

**Mr. Bounsell:** I understood it was also a summer-duration appointment — that she wouldn't necessarily be back, and that some time this fall she would go back to university rather than coming back. I didn't know the job wasn't completed.

Where are we then? Waiting till next summer? When can she return and complete it, or is someone else picking up the study? I think my concern and the concern of the members on the members' services committee was that the assistants should be in, bearing in mind the level of salaries and benefits and the proper classification of the work they do. When will that be completed? Are we awaiting another summer student next summer to do it? Where are we in completing the report on that classification and the salaries associated with it?

**Mr. Wilson:** The original estimate was that it was simply a summertime project which would be completed by the end of the summer. However, it proved to be so extensive we found it necessary to extend it on a part-time basis. Initially, after she returned to university, she was coming in any Friday and carrying on with the study. However, due to this family tragedy, as I say, she has not been in the last two Fridays and I am in the process of obtaining someone else who has been recommended to me to carry it on. We hope to complete it in the not-too-distant future.

**Mr. Warner:** I would like to raise a point again. I raised it last year, and I suppose I will raise it again next year. When do we get the researchers, one per member? I just wondered when that was going to happen. Can anybody tell me?

**Mr. Ashe:** Your people are always for referendums. Bring in the people and ask

them if they support that kind of expenditure.

**Mr. Warner:** Before you get all charged up, your caucus members supported that notion a little while back. How many years now—two years, three years ago?

Elie, was it the Camp Commission?

**Mr. Martel:** No. The select committee on the Legislature made that recommendation.

**Mr. Warner:** Three years ago? We are still waiting. How long do we wait?

**Mr. Martel:** I am glad to see you in cabinet now, Bud.

**Mr. Warner:** Yes. Now you can get some action.

**Mr. Martel:** Now you can push it.

**Mr. Warner:** I can understand why you don't have any particular interest in research.

**Mr. Handleman:** We haven't got to vote 12. The kind of expansion we have made in the legislative library and the kind of research assistance available to everyone there would indicate—and if you haven't used it, I suggest that you try it.

**Mr. Warner:** You are talking to the wrong person. I do use that facility and it is excellent.

**Mr. Handleman:** Okay, and I use it and I find it excellent, and—

**Mr. Warner:** That is not what I am talking about.

**Mr. Handleman:** —those who have had the opportunity to avail themselves of interims have had that kind of help. I think any member who doesn't have that help is simply not anxious to have it.

**Mr. Warner:** You can't deflect it that way. Your party members, along with ours and the Liberals, agreed unanimously it was in the best interest of getting good legislation, of having informed members, and we hope then a better informed public, if each member of the assembly had a researcher. All of us understood that wasn't immediately possible, so it was suggested that perhaps we could start on a ratio—one researcher per four members, then per three, per two—over a period of time, to a point where we would each have the assistance of one researcher. This is what they have done in Ottawa in the House of Commons.

I would like to know when that is going to happen. When was that committee report? Three years ago?

**Mr. Martel:** In 1976.

**Mr. Handleman:** A good question for tomorrow.

**Mr. Warner:** Yes, sure. I will get the same answer I did last year. Do you want me to read you last year's answer?

**Mr. Ashe:** What does it say?

**Mr. Warner:** "Mr. Kennedy:"—it sounds like Mr. Ashe—"We have a certain number upstairs and I suppose if you divide them into the number of members there are, I don't know how it would work out. Obviously, it would be a beefed-up budget.

"You are speaking, though, presumably in terms of having one assigned eventually to each member rather than a pool you draw on. Would you cut back the existing then, or partly substitute the expenditure that is there now? A pooled force might have some merit, rather than one person who is supposed to be all knowledgeable and know about everything."

And he goes on to suggest the same kind of thing you do, that there are people around and we should make use of them.

But that is a government member who has the use of some pretty good civil service work for research, and it is not a member who is sitting in the opposition with a total of 33 caucus members and eight researchers. Eight, to cover every ministry.

**Hon. Mr. Gregory:** That happens to be your problem because if you are on the Board of Internal Economy you will realize more money per capita goes into the opposition parties for caucus support than there is in the government.

Interjections.

**Hon. Mr. Gregory:** Mr. Speaker, correct me if I am wrong, but I have the figures.

**Mr. Warner:** You are wrong.

**Hon. Mr. Gregory:** No, I am not wrong.

**Mr. Warner:** You are wrong.

**Mr. Chairman:** David, I am not going to stop you here if you want to pursue this, but one assumes this is going to come up again. Getting back to the channels of communication, members' services, Board of Internal Economy, you are a member of members' services?

**Mr. Warner:** No, I am not. I will raise it again next year when I am back because we still won't have any more researchers.

Item 7 agreed to.

On item 8, caucus support services:

**Mr. Speaker:** We just got finished discussing that one.

**Mr. Chairman:** Yes, we really did.

Item 8 agreed to.

Item 9 agreed to.

On item 10, constituency offices:

**Mr. Warner:** This may take a little while. Do you want to break for lunch, or how do you want to handle it?

**Mr. Chairman:** It is 12:30 now. We have at least a full hour to go. How much of it will be devoted to that I don't know, but do

you want to do that, come back at two o'clock? Is that agreeable, Mr. Speaker?

**Mr. Speaker:** Yes.

**Mr. Chairman:** Adjourned until two o'clock. The committee recessed at 12:30 p.m.

The committee resumed at 2:09 p.m. in committee room No. 1.

### ESTIMATES, OFFICE OF THE ASSEMBLY (continued)

On vote 1001, Office of the Assembly program; item 10, constituency offices:

**Mr. Chairman:** Before we proceed with item 10, constituency offices, we have a time element here to bear in mind. We have been provided with three hours, and I think we have something in the order of—

**Clerk of the Committee:** Half an hour exactly.

**Mr. Chairman:** —thirty minutes exactly.

Who wishes to start off? Mr. Warner.

**Mr. Warner:** It's kind of like the researchers, where we went through the same comments last year and nothing has happened; although on that one Mr. Gregory agreed with me last year that there should be some provision for sick leave for those people who are employed in constituency offices. There isn't any. He thought it was a good idea in that there should be something done to make sure that people who are ill don't end up going straight onto unemployment insurance. That's been the experience so far. Anyone who has any lengthy illness, they work that hard—

**Mr. Ashe:** They don't work that hard.

**Mr. Warner:** It's not my fault; there are so many problems in the government that my constituency office person has to work that hard. What happened was that the person took ill and there was no sick leave benefit so I had to terminate the person promising to hire her back after she was well. She had to go to the Unemployment Insurance Commission. It seems fairly obvious there should be some sort of sick benefit available.

Also, of course, those people receive strictly a salary and no other benefits. It would seem reasonable to me that the people who are employed in the constituency offices should receive the same kind of benefits as those who are employed here, namely, the OHIP benefit and the other package.

**Mr. Nixon:** Dental.

**Mr. Warner:** The 50 per cent dental and the others.

**Mr. Speaker:** It may be helpful to remind you, Mr. Warner, that those people who are employed in constituency offices are employees of the member and not employees of the Office of the Assembly.

**Mr. Warner:** Oh, I understand that.

**Mr. Ashe:** If you're a member why don't you supply all these things?

**Mr. Warner:** Not being independently wealthy like some of the Tory lawyers I am not able to pay the OHIP benefits and sick leave benefits. But I don't understand why that doesn't become a package out of the Office of the Assembly. It just seems to make good sense to provide that kind of equity.

Last year we also discussed why the salary range should be so much different from what is paid here. There didn't seem to be any rational answer again.

At some point in time we have to come to grips with it. It has just been ignored. I'd like to know whatever happened to Mr. Gregory's suggestion that the sick leave benefits be pursued. That was a year ago.

**Mr. Ashe:** I don't have the answer to that; but maybe the answer to your problem would be to have five constituency secretaries each working one day a week, then they're all strictly part-time employees and they obviously will have another source of income.

**Mr. Warner:** Sure, you can exploit part-time employees all you want but I'm more interested in providing equal benefits for those who are doing equal kind of work. You're going to get to that kind of bill later on in this committee, I understand.

**Mr. Nixon:** I'd like to hear from Mr. Martel on that.

**Mr. Warner:** But I'd like to know about the question that was raised last year. I understand it was then going to go to the Board of Internal Economy. Whatever happened? Why is it that a year later people in the constituency offices still do not get sick leave or any other benefits?

**Mr. Speaker:** The criteria for constituency office employees are:

**"General:** Although circumstances will vary somewhat among the various constituency offices, the conditions of employment described below have general applicability.

**"Status:** Individuals employed by a member in a constituency office will have the status of casual or contract employee of the member. The standard contract is form LA21(77), which is available from the administrative offices of the Office of the Assembly.

**"The period of employment:** The period of employment will be determined by the member and the employee and may vary from one year to a few days. The salary should be indicated on a weekly basis and is agreed between the member and the employee. The maximum salary payable will be governed by the allowance for staff salaries in constituency offices as approved periodically by the Board of Internal Economy."

**Mr. Warner:** So I'm right that the Board of Internal Economy has the authority to change that agreement?

**Mr. Speaker:** They have.

**Mr. Warner:** Therefore, what we need is to get the board to change that. That's what I raised last year. I'll raise it again this year and I'll come back next year and raise it as well, but chances are that nothing will happen in between.

[2:15]

**Mr. Ashe:** You may not be here next year.

**Mr. Warner:** I'll be here. Maybe I should bring all the constituency workers in, too, and have them present their case. Has the board ever dealt with it in the year?

**Mr. Speaker:** It has been discussed.

**Mr. Warner:** It's been discussed. Well then, no response? What did the board decide to do with the item when it was raised?

**Mr. Speaker:** Maintain the status quo.

**Mr. Warner:** Oh, terrific.

**Mr. Martel:** It wasn't unanimous.

**Mr. Warner:** It wasn't unanimous.

**Mr. Martel:** No, it wasn't unanimous.

**Mr. Warner:** There was a vote on it, I take it?

**Mr. Martel:** No; couldn't get a seconder.

**Mr. Warner:** No seconder. What a Neanderthal bunch.

Well, I've raised my concerns.

**Mr. Martel:** I want to raise this, though, because I've written to the Speaker. The irony of it, of course, is that Mr. Gregory was here arguing last year for what my colleague read from Hansard this morning about sick leave, and that's not the position at the board. The position taken at the board is that we get a global figure with which we can pay our staff and our rent and so on. What I want to know is, do members have the authority, if they have some left over from the rent, to apply the difference to providing fringe benefits for their staff? In other words, if I only pay \$3,200 a year of my global figure of \$5,200 for rental accommodation can I, in any way I see fit—and I'm going back to what the board told me was the case—can I then draw on that \$2,000 to provide OHIP coverage for my assistant up north or any other fringe benefits? As it now goes, although we say we don't—we can't, that it's salary and rental—I should be able to draw on that rental allowance because it's a global figure that the board provides for the upkeep of your office in its totality. I guess I should be able to draw from it then.

**Mr. Speaker:** No.

**Mr. Martel:** Why not?

Wait a moment, Mr. Speaker; with the greatest of respect the board has argued, at more than one board meeting, that the global figure from which we can draw—it is not a salary, as such, we don't have to pay our assistants the \$11,200 or whatever it is. It's a global figure, and we've gone over that at a number of meetings; what we pay our assistants is entirely up to us and what we pay for rent is entirely up to us. We have a global figure whereupon we can draw and if my rent is only \$3,000—I'm allowed up to \$5,200 for rent, and if I draw only \$3,000 from the global figure I should be able to then take the balance and provide fringe benefits as I see fit to my staff, because I'm drawing that amount and going simply by what the board has agreed to and stated the position to be.

**Mr. Speaker:** My understanding of it is that the total amount for rental of office furnishings and equipment is to a maximum of \$5,300, with \$318 for supplies and stationery and \$318 for mail. Now, you can lump those three together for the operation of the constituency office. You have a total of \$12,508 with which to compensate staff.

**Mr. Martel:** But you see there's where it falls short. On one hand you say, "That's not salary;" and on the other hand you're saying, "You can pay that salary." You simply can't have it both ways as a board.

As a member of that board I've gone through this over and over again, and I well recall Mr. Gregory summing it up at the last meeting we had to the effect that it's a global figure whereupon we could draw and pay our assistants so much and so much for rent. If it's a global figure, I should be able to dispose of it the way I see fit.

That was the argument that was presented to the board, Mr. Speaker; you will recall it was Mr. Gregory who advanced that argument. I'm simply taking that argument to its logical conclusion then. He says, "How much you pay your assistant—" or if you pay two, three, or as Mr. Ashe says five—"that's entirely up to you." If the global figure is set aside to run the office then I should be able to draw from that global figure to do with it as I want.

**Mr. Speaker:** When the Office of the Assembly was set up the Board of Internal Economy was set up to be a watchdog in much the same way as the cabinet is over government expenditures.

**Mr. Nixon:** Management Board of Cabinet, not the cabinet per se.

**Mr. Speaker:** Management Board of Cabinet, yes. The amount of money that I have just quoted you here is the total amount that can be allocated towards constituency offices, and the Board of Internal Economy, in its wisdom, has interpreted it in the way I have just explained it to you, and I don't think your recourse is through this committee but to try and persuade the Board of Internal Economy that it should do what you suggest.

**Mr. Martel:** Mr. Chairman, it seems to me that if members of the Legislature were to look sensibly at it—and there is never an opportunity to do so except here—I can't see anyone in this committee denying, for example, OHIP coverage to constituency staff.

I don't know where else, and there might be some, but where else in such a large operation would we not see the fringe benefit package for staff? In every other facet that we are involved in, including the civil service, we provide a fringe benefit package. It is worth at least 18 per cent to the civil service.

Our legislative assistants in our constituency offices not only get by far the smallest salary the government pays in any field doing comparable work. I presented statistics that showed, for example, in the legal aid clinics that were set up by the province I think the basic salary is something like \$19,000, and yet for member staff it is impossible even to get the most menial things such as OHIP coverage. You can't even get that. There is something wrong when we pay at least \$7,000 less than the legal aid clinics are paying, or the service that was established by ComSoc a couple of years ago, doing the same work.

You know as well as I do, Mr. Speaker, that it is impossible to get this thing changed at the board, and the only place it would be is to get some idea if members of this Legislature are satisfied with that for their constituency office assistants, because it is totally out of character of what the government provides for the rest of the civil service and for the staffs here at Queen's Park, and to me it is totally unacceptable.

**Mr. Ashe:** Mr. Chairman, I don't buy that argument at all. I think it depends what side of the coin you are on when you are making an argument. We all can talk about situations in which we should be creating various kinds of employment throughout the country, throughout the province, throughout our own ridings.

I think we are providing, on the basis of a personal service contract, if you will, part-time employment in many instances, or even

full-time employment to a category of people who already have a main breadwinner. Granted, you can say you are restricting your source of people. That's true, and I don't deny that, but there is still an adequate group of people in those categories who are quite competent to serve in a capacity in a constituency office and it is doing them a service, it is doing you a service, and I think everybody is reasonably happy.

I, frankly, have never had any problems. As a matter of fact, we have a waiting list, if you will, of people who would be quite pleased to work in the office under those circumstances. They have their benefits provided by their spouse and they are looking for something interesting and challenging for them, in some cases on a part-time basis and in some cases on a full-time basis, and they consider the remuneration quite attractive under those circumstances.

True, if you are talking about going out to the job market to hire a breadwinner who has to provide all those benefits for himself or herself and others, then it is a problem. I don't deny that. But what I am saying is there are lots of people that fall into the category that we have available, so why again remove one other area of opportunity to serve the people and, in effect, they can serve others.

**Mr. Martel:** When you provide them with that opportunity you deprive them of benefits, is that what you are saying?

**Mr. Ashe:** No. They already have the benefits from their spouses.

**Mr. Martel:** You are saying they are all married.

**Mr. Ashe:** I am saying you have a more confined job market, yes, I acknowledge that, but what you are trying to say is you have only got one kind of person there—

**Mr. Martel:** No. I am saying you could have any kind of person.

**Mr. Ashe:** —one category of people that need employment or want employment.

**Mr. Martel:** It's unbelievable. How you can rationalize something like that is beyond me.

**Mr. Ashe:** I can rationalize it just as easy as you.

**Mr. Chairman:** Am I right that this is going to be brought up by you, Mr. Martel, at the Board of Internal Economy again?

**Mr. Martel:** How many times can you bring it up?

**Mr. Chairman:** Any other comments? We have 15 minutes left.

Item 10 agreed to.

Item 11 agreed to.

**Mr. Chairman:** Item 12, Legislative Library.

**Mr. Speaker:** From the Legislative Library we have Mr. Land, Mr. Wu and Mrs. Hay, who performed yeoman service during the transition. I think Mrs. Hay deserves a vote of thanks from all members of the Legislature for the way in which she carried on during that transition period.

As you notice here, there is \$1,100,400 for this year. Some of it will not be spent, for reasons that will be outlined by Mr. Land. As you know, there has been quite a change from strictly a library to library and informational services, and both Mr. Land and Mr. Wu have been diligently pursuing interviews with a view to providing excellent services for members of the Legislature, and I think it was mentioned earlier by Mr. Handleman. They are doing excellent work on your behalf and I would like Mr. Land to outline briefly what you have done in the past year.

**Mr. Land:** Thank you, Mr. Chairman and Mr. Speaker. I realize the time is short. We have now, in effect, under the Legislative Library, three distinct services. One is carrying on with the library service. The second, and a new service, is the legislative research service, which got under way on August 1—and I will come back to that in a minute—and the third area is the press clipping service that, effective this year, comes under the library.

With respect to the library proper, we have introduced a number of new services. The computer searching is going ahead apace, and I am pleased to report that that seems to be a useful and increasingly popular service. We have every indication that if the present rate of use continues—and indeed we expect that because of the House coming back the rate will increase—we will have answered something like 25 per cent more reference queries this current year than the previous year, which is an indicator of use, because of course we don't generate the questions, the questions are put to us.

Similarly, circulation shows an increase, and I am pleased to say that in the legislative research service we have now completed the recruitment of the five research officers to which we are entitled this fiscal year, plus an additional support staff member. We have already had queries from each of the three parties and are well under way, and we have some repeat use, which I think is indicative of members being satisfied with their previous experience.

It is a service that is limited to members only. Unlike the library service proper, which

is available to press gallery or other officers of the assembly and so on, the research is limited only to members.

[2:30]

The press clipping service, which has a staff of nine people, has increased output by 40 per cent with the same personnel. Four years ago there were 15 people doing about a quarter as much. I think one of our people who is here today is I. L. Androvics, supervisor of the press clipping service. She is responsible for that unit. It seems also to be very busy. We have 92 clients or subscribers to that service. We've been making every effort to speed it up so the clippings arrive on the members' desks while they are still current. We have taken some steps to try and expedite the turnaround time and the delivery.

We are now issuing an additional publication memo to members in an effort to keep you up to date on what is happening, new services or extension of services or significant acquisitions to the collection. We won't wait for an occasion such as this or appearance before a committee before we let you know about new services.

I think, Mr. Chairman, I could leave it at that. I would be happy to respond to questions.

**Mr. Chairman:** Mr. Handleman. Thanks, Mr. Land.

**Mr. Handleman:** I have a couple of specific questions First of all, can you tell me the cost of the Globe and Mail computerized readback service on an annual basis?

**Mr. Land:** Perhaps Mrs. Dickerson might be able to answer that, Mr. Handleman, if I may call upon her. What is the Info Globe service on an annual basis?

**Mrs. Dickerson:** The charges for any of the data base services are based on a fee for use. The charge for the Info Globe service is \$90 a connect hour. If we don't connect, we don't get charged.

**Mr. Handleman:** Who pays for the hardware?

**Mrs. Dickerson:** We have the rental of the terminal and that is used for all of the data bases we use. I couldn't give you a quote on the monthly figure. I think it is about \$400 a month.

**Mr. Handleman:** Is that for the terminal?

**Mrs. Dickerson:** That's right.

**Mr. Handleman:** What banks does it access other than the Globe?

**Mrs. Dickerson:** We have Q.L. Systems, which is a Canadian data base out of King-

ston. It was established by one of the faculty of law members at Queen's. It has the federal statutes; several of the provincial statutes; a number of the Canadian environmental data bases; oral and written questions for the federal House; Speakers' rulings; and things of that sort on line.

We have Orbit, which is mounted by Systems Development Corporation in Santa Monica, California. It is a group of data bases. It includes things like environmental data bases and political science data bases. It runs the full gamut of data bases. Then there is another one, which is quite similar, called Dialogue and it just has an expanded number of data bases.

**Mr. Handleman:** Who operates that?

**Mrs. Dickerson:** Lockheed.

**Mr. Land:** There is also the New York Times Information Bank.

**Mr. Handleman:** Time doesn't permit me to comment on it, but I'm glad it's on the record.

The other question I have concerns the clipping service. I'm trying desperately to catch up because ever since you took it over, I'm swamped with paper. I have looked at some of them and for the life of me I don't understand why I got them. I just happened to run across a couple here. One says: "Make New Start in Poverty War, U.N. Is Urged." On the list of topics, I'm sure I didn't check off poverty, I'm sure I didn't check off the UN. I know Doug Roche, but I didn't check his name off, it's not on the list. I got it for some reason, presumably.

I have another one that says: "Dumping Ruled in Pipefittings from South Africa." Presumably, somewhere in there is a reason why I got it. What I am concerned about is that while the risk of not getting enough is that you will miss something, there's a great risk in having too much, since I tend to throw it in the wastepaper basket because I don't have time to do it. I wonder if there is some kind of a happy medium?

**Mr. Land:** I'm sure there is, Mr. Handleman, and we will make sure we consult with you to find out what you have indicated. We do ask members. I think we have roughly 40 broad categories of terms; transportation, communication, labour and so on. I couldn't begin to guess what categories those clippings you have cited would fall into, but we will certainly check it out.

**Mr. Handleman:** But you do appreciate that we—I don't know who was doing it before—but we seemed to have a manageable

amount of paper that you could read in the morning before you went to the House or to committee. Now it arrives—pardon?

**Mr. Nixon:** They don't flood me with paper other than what I ask for. You have got fouled up, Sidney. Your former executive assistant should have checked this off when you were in the ministry.

**Mr. Handleman:** Somewhere along the line you may not have got my deletion. When I sent in the new list, I would delete the old one, obviously because I don't want duplications. I know that I asked, for example, for energy, because it is an up-front issue. Now I get anything where the words gas, oil, coal, or energy are even mentioned. Or insurance. For example, I got a whole pile of clippings on crop insurance when I was on the select committee examining life insurance. I don't know how your people can pull it out; maybe it costs them more to do it.

**Mr. Nixon:** Well, crop insurance is important. It is always worthwhile.

**Mr. Handleman:** Very important, but it had nothing to do with the select committee. I just ask you that possibly you could try to exercise some discretion, because some of us do try to keep up to it. I think it is helpful, but being flooded with it is no help at all.

That's all I have, Mr. Chairman.

**Mr. Chairman:** Any other questions or comments? Mr. Warner.

**Mr. Warner:** I briefly want to mention that certainly since the addition of the researchers there this service to the members, and this backbench member, is greatly improved. I appreciate it. Concerning the clipping service, I haven't run afoul of the problem Mr. Handleman has experienced. The clipping service I have found very good. It seems to be up to date, it seems to be current material, which is good. But that library is really doing extremely well. I've seen an improvement just over the last couple of years that I've been around. I appreciate the service.

**Mr. Chairman:** Excellent. Anything else? Shall item 12 carry?

Item 12 agreed to.

**Mr. Chairman:** That's the last item. Shall vote 1001 carry?

Vote 1001 agreed to.

**Mr. Chairman:** We will meet then on Wednesday next. That's October 17 at 10 a.m. for the estimates of the Office of the Ombudsman.

The committee adjourned at 2:37 p.m.

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Fleming, R. J., Director of Administration
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Miggiani, J. M., Finance Officer

**From the Commission on Election Contributions and Expenses:**

Wishart, A. A., Chairman
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# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**  
Estimates, Office of the Ombudsman



**Third Session, 31st Parliament**  
Wednesday, October 24, 1979

Speaker: Honourable John E. Stokes  
Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, OCTOBER 24, 1979

The committee met at 10:11 a.m. in committee room No. 1

After other business:

### ESTIMATES, OFFICE OF THE OMBUDSMAN

**Mr. Chairman:** As a committee, we have five hours to deal with the estimates of the Office of the Ombudsman.

We have the estimates sheet in front of us. Do you have any opening statements, sir?

**Mr. Justice Morand:** Perhaps a few brief opening statements, Mr. Chairman. This year our budget is up just barely one per cent over last year's. Included in there, of course, is the standard raise to employees, which worked out to approximately six per cent, following the government guidelines; so our actual dollar expenditure, other than wages, is down this year from last year.

Since the start of the year in which I have been there we have opened an office in Thunder Bay and we're planning on opening another office, both of which will be done with our existing complement and within our budget; so we are not asking for any extra money for that.

Continuing from last year, the movie that was being made has been finished, has been shown and has been well received. Our pamphlet has been published, and I believe all the members have received a copy of that pamphlet.

The prime purpose of those two items was to cut down on our nonjurisdictional complaints, and from our statistics it seems to be having some effect. The time spent and the cost of handling nonjurisdictional matters has gone down, and we hope it will continue to go down.

Our carryover from previous years, North Pickering, is still going on. Mr. Hoilett is commencing to write his report. It's too early, of course, to give any estimate as to what the results of that will be, but it's a continuing problem in our office, one that we're giving attention to. I don't like to make any promises on those sort of things, because it has been a problem, but I can assure the committee that it's taking a great deal of our concern in the office and it's getting number

one priority so far as I personally am concerned.

Other than that, the office is going on as efficiently as we can make it, and we are here to answer any questions the members of the committee might like to put to us.

**Mr. Chairman:** Are there any questions from the committee?

On vote 1201, Office of the Ombudsman program:

**Mr. Mancini:** I was very interested by the comments concerning expenditures. Just out of curiosity, how are you able to raise the salaries of the employees—are there about 100 employees now?

**Mr. Justice Morand:** Yes; 117.

**Mr. Mancini:** How are you able to increase the employees' salaries by six per cent and keep your total budget increase down to one per cent when we are only talking about a \$4,172,000 budget? Something must have been eliminated.

**Mr. Justice Morand:** We are trying to eliminate all unnecessary expenditures. Travelling is one item on which we have been able to save. This is one of the reasons for opening these offices. We have three employees in Thunder Bay now. By having those employees there—a great many of the government files are in Thunder Bay—we can save travelling time and travelling expenses for people going up from the Toronto office, because we have people in the area and can make use of them.

We are also going into the word processing field, which cuts our operating costs.

It's really by judicial cutting out of unnecessary expenditures.

**Mr. Mancini:** When you mention travelling and said you were able to save a lot of money by not having people travel as much, you mentioned the office in Thunder Bay; is that the only new office that has been opened up?

**Mr. Justice Morand:** It's the only new one now, but we hope to open another one before the year-end.

**Mr. Mancini:** Whereabouts would you plan to do that?

**Mr. Justice Morand:** That has not definitely been decided yet, but I have my preference.

**Mr. Mancini:** You wouldn't want to open one in Windsor, would you?

**Mr. Justice Morand:** No, it's not going to be in Windsor. Even though Mr. Bounshall would like that, I can assure you it's not going to be in Windsor.

**Mr. Bounshall:** Travel expenses to go to Windsor are so slight.

**Mr. Justice Morand:** That's right.

**Mr. Bounshall:** And you like to go there from time to time.

**Mr. Justice Morand:** I do.

[10:30]

**Mr. Mancini:** Other than the Pickering matter, is there any matter of longstanding that has been carried over?

**Mr. Justice Morand:** We have a number of them that have been around. We recently ran through our computer to segregate all of our own cases and we're making a drive to clean up the old cases. We have another land assembly matter—the Cayuga matter—which is currently in the office. That report I hope will be out in the not-too-distant future.

There are no major ones. One of our big problems in the office is Workmen's Compensation Board cases because of the length of time they take and the amount of money they cost the office. We've recently been carrying on some discussions through the good offices of the select committee, with the Minister of Labour (Mr. Elgie), to try to expedite the handling of Workmen's Compensation Board cases. That is the other big problem in the office as far as cost is concerned.

We're working on plans to see if we can't do something to expedite the handling of those cases.

**Mr. Mancini:** How many cases like those do you get in a month? Do you have any idea?

**Mr. Justice Morand:** We have a current load of about 550 Workmen's Compensation Board cases. They're coming in faster than we can deal with them. That's the big problem. Right now, we have a backlog of 200 Workmen's Compensation Board cases.

**Mr. Mancini:** That's very interesting when you say you have a current load of 550. I was wondering how your office was handling that. Do they go to the board and act as a representative at the appeal board hearings?

**Mr. Justice Morand:** No. It's only when they've exhausted their procedure at the Workmen's Compensation Board they can come to us. Under our act, they have to exhaust their appeals.

Once they come to us, we send them what we call a 19(1) letter, which notifies them we intend to make an investigation. In due course, we get a copy of the board's file. It's turned over to an investigator; the investigator goes through the file and checks the complaints, and turns in a report.

If it looks as if the person has a legitimate complaint, it would come before what we call a case conference in our office. It's thoroughly discussed and sometimes sent back for further investigation. It's decided the person does not have a valid complaint, or that it looks like they have a valid complaint.

We then send out what we call a 19(3) letter, simply named after the section of our act, in which we notify the board it's possible we might come to a conclusion, and setting out the conclusion. Then we get a reply from them.

We again review the file and if we're not satisfied, we send a notice to the Premier and we report in our report, and it goes then to the select committee. This is presuming we have made a recommendation which the board won't accept.

**Mr. Mancini:** You mentioned the investigator. Is that person a member of the Ombudsman's staff?

**Mr. Justice Morand:** Yes.

**Mr. Mancini:** Do you have experts in that field now?

**Mr. Justice Morand:** We have 17 in that particular branch.

**Mr. G. I. Miller:** I know, Mr. Ombudsman, you were travelling around Ontario this past week. I think you were down in my riding last Wednesday. I wasn't able to be there because of other commitments and I was wondering how you were received.

**Mr. Justice Morand:** I wasn't personally there. Mr. McArdle was there for one day. We were very well received. I don't have these figures in front of me, but I think in one town we had 53 people who showed up, and 52 in the other district. The jurisdictional and nonjurisdictional complaints show an improvement. I think for the jurisdictional we have in the 60 per cent range and for the nonjurisdictional in the 30 per cent range.

**Mr. G. I. Miller:** What was the percentage again?

**Mr. Justice Morand:** It was 60:30 roughly—more than 60. That's an improvement. When the office first started, we were getting 50 per cent nonjurisdictional complaints. Something I should point out, which is of interest to me as a newcomer in the office, is that nonjurisdictional complaints are not really

a complete waste of the time of our office because we do give a service to the people. Even though they don't fit in our jurisdiction, we can tell them where to go. From this point of view it does render a service to the citizens.

We have a list of all the different agencies, and so forth. And with the expertise in the office very quickly we can tell them if it is a federal matter, which office to get in touch with and where to go. If they are in the office anyway we might as well give them that service. When they're with us we reply and tell them we can't do anything for them. If it's not in our jurisdiction we can tell them where to go.

**Mr. G. I. Miller:** Do you have any idea how many were within municipal or regional boundaries rather than provincial?

**Mr. Justice Morand:** I don't think I have those figures with me, but I can give you the total figures outside our jurisdiction. For instance, last year there were 3,889 outside of our jurisdiction. A total of 7,888 people came to see us or wrote us about cases. I don't think I have a breakdown with me of municipal and federal fields. My recollection is that there were more in the municipal field than in the federal field.

**Mr. G. I. Miller:** You were keeping an eye on how many from the regional and local governments and maybe utilizing that in the future?

**Mr. Justice Morand:** Yes, we have that information on our computer.

**Mr. G. I. Miller:** That is the extent of my concerns at the present time.

**Mr. Lawlor:** Sometimes I think you and I spend a great deal of time together to our mutual benefit, I'm sure. What we are doing here, of course, is somewhat different from what we do in the other committee. We don't deal with figures particularly. However, it does update, and if you will permit me to go a little distance on it, first of all in your letter to the Board of Internal Economy of February 5 you say there are certain aspects of these estimates which deserve special mention. Firstly, our salary scales have been increased by four per cent which represents the annual economic adjustment. There was a six per cent figure mentioned this morning. Why is there a difference?

**Mr. Justice Morand:** Again I am taking this second hand, but there was an agreement entered into by those represented by CUPE. As a result of that agreement and a change of date, there was an extra allowance of two per cent allowed to other government employees not covered by CUPE. Our em-

ployees fit into that category. So they got the extra two per cent.

**Mr. Lawlor:** You are under no obligation to do so, as I understand it, but you seek to follow civil service requirements and classifications. Is that true in classifications? You determine your own classifications, don't you?

**Mr. Justice Morand:** Yes, we have that right, but we also have had a study on salaries and are currently doing another study on salaries to make sure that we are within the proper range. There was some criticism of the office about that particular point. We want to make sure that we're not the gold-plated office as suggested in the past, that we're fair to our employees, but not overly generous with the taxpayers' money.

**Mr. Lawlor:** That has been suggested on occasion. Who is doing this study, the Hickling-Johnston group?

**Mr. Justice Morand:** No, P. S. Ross.

**Mr. Lawlor:** On the Pickering situation, in our report, as you well know, we have reference to, "The committee understands that all matters associated with the Hoilett hearings will be completed before October 12, 1979." Has that taken place?

**Mr. Justice Morand:** Not exactly, but very close.

They are having a few short sittings this week but I am assured that will be done this week, to pick up sort of odds and sods that were dealt with during the course of the hearing of the argument. They assure me they will be completed this week. I understand that Mr. Horton has already commenced writing his report.

**Mr. Lawlor:** I notice in these estimates that there is a \$50,000 sum removed or deducted with respect to those hearings. First of all, can you give us any idea of what the total amount thus far expended on the Pickering hearings might be?

**Mr. Justice Morand:** From our office's point of view?

**Mr. Lawlor:** Yes.

**Mr. Justice Morand:** No, but I can get that for you reasonably quickly I think. If we are talking about wages and so forth, it is a pretty large sum of money.

**Mr. Lawlor:** Yes. Legal fees have been paid through the Ministry of Housing and not directly by you.

**Mr. Justice Morand:** Yes.

**Mr. Lawlor:** Do you keep a tabulation of that at all?

**Mr. Justice Morand:** Oh yes, we do.

**Mr. Lawlor:** You could give us those figures then as things stand?

**Mr. Justice Morand:** I'm sure it would be substantial.

**Mr. G. I. Miller:** I have a supplementary: Could we also get the figures for the South Cayuga site; the review of those costs?

**Mr. Justice Morand:** Yes, I could give you those too. I don't have them at my fingertips, of course.

**Mr. G. I. Miller:** No, but you could provide them.

**Mr. Justice Morand:** We could provide them, yes.

**Mr. Lawlor:** Have you presently a director?

**Mr. Justice Morand:** A director of the association?

**Mr. Lawlor:** No, of the Ombudsman's office? Is Mr. Hoilett your director?

**Mr. Justice Morand:** He is our executive director, yes.

**Mr. Lawlor:** It is just that in one of the sheets here I notice that was omitted, or it indicated that post wasn't presently filled and I couldn't quite understand that. I'll come across it in a minute.

How is your rental situation coming? There has been a fairly great escalation in the rent at your present place and a good deal of talk about finding an alternative accommodation in some government building or the old Hydro building.

**Mr. Justice Morand:** Yes.

**Mr. Lawlor:** How is that all coming?

**Mr. Justice Morand:** It is coming along quite well in one sense and badly in another sense. That is a typical lawyer's answer so I will explain it.

One of the first things I did when I went in there was to take a look at our rental situation to see when our lease expired. I found that it expires at the end of July next year, so we commenced immediately to sound out the market as to rent and what it would cost us to stay.

In my view the cost in the building we are in was exorbitant, so we started looking for other places. We have had facts and figures from five other locations, one is owned by Hydro, one is owned by the university, one is privately owned. There are three of them in the cost figure we thought was fair and the best that could be done.

The Hydro building at 610 University Avenue was our first choice. The second one, which came late on the scene, appears to be equally good and is also in the area of the Parliament Buildings. It is down the street

the other way, the old Lilian Massey building in the university. Both of these buildings fit our figures as to space and dollars. We are presently negotiating and are very close to determining just exactly where we will go and the terms on which we will go.

One of the problems in moving an office is the question of cost when you get in. Your straight dollar figure of monthly occupancy and square foot space is sometimes deceptive. In both cases there are alterations to be made to the building. Put it this way: I want to be sure when we go in there we don't face a big leasehold improvement. That is the stalling point right now. Before we sign a contract we want in black and white just exactly what our costs are going to be.

We have approval in principle from the Board of Internal Economy for the move and the figures. But I don't want to come back later on and ask for more money because of unexpected expenditures. So when we do sign the contract we want it tied down.

That is the position we are at right now—tying down the dollar figure. But I think it is safe to say that we are going to move. It is not safe to say exactly which place we are going to move to but we are going to move to the one that gives us the best deal.

[10:45]

**Mr. Epp:** May I just add a supplementary here? What do you think the rent per square foot would be?

**Mr. Justice Morand:** I think it is \$12. I'm not sure of the exact figure. It is only \$12 a square foot; it goes to over \$14 a square foot where we are at. We hope to get a place somewhere in the neighbourhood of \$11 a square foot.

**Mr. Epp:** And the Hydro building you are speaking of is the new Hydro building on University, it's not the old one?

**Mr. Justice Morand:** It is the old, old Hydro building.

**Mr. Epp:** Oh, it is the old, old one; the one further down on University Avenue.

**Mr. Justice Morand:** Yes.

**Mr. Epp:** Six-ten?

**Mr. Justice Morand:** Yes.

**Mr. Epp:** I am not too familiar with the numbers.

**Mr. Justice Morand:** It is the old, old one. Part of the deal is of course that they would refurbish the interior.

It's a heritage building so they can't touch the outside. They have to refurbish the interior and that is what we are negotiating right now, just what costs are going to be

ours, what they are going to supply to us, and what type of accommodation we are going to get when we move in.

This is a concern, because in that particular deal they are prepared to allow us so many dollars per square foot for the internal renovations we will be forced to make. We want to make sure just exactly how much those are going to cost us and whether we are going to be able to do it within that \$10.

**Mr. Epp:** You were speaking of what, a 10-year lease?

**Mr. Justice Morand:** We are talking about a 10-year lease, yes, but it will probably be five. We negotiated five, but I want to get a fixed 10 if I can.

**Mr. Epp:** What you are talking about then is a gross \$11 per square foot or something of that nature?

**Mr. Justice Morand:** Yes. There will be escalation clauses, of course, which are standard in the trade. Again, the beauty of both of these places that are under serious consideration is their escalation period doesn't start until next year. It will be the year after next, 1981, before we get into the escalation clause—standard escalation clauses, which are taxes and things of that nature.

Again in negotiating with the one with the university we may be in a preferred position there because there may be a lesser escalation clause.

**Mr. Bounsell:** The Lilian Massey building you were referring to; which one is that?

**Mr. Justice Morand:** Right at the corner of Bloor and University.

**Mr. Bounsell:** The old home economics building?

**Mr. Justice Morand:** Yes, that's right.

**Mr. Eakins:** If you are going to save on a square-foot basis, are you going to require as much space in a new accommodation as where you are now?

**Mr. Justice Morand:** The problem with both of those buildings is there is more waste space.

**Mr. Eakins:** I see.

**Mr. Justice Morand:** So the net cost is actually going to go up but it is going to go up less in these places than it would in the building we are in now, or in any other place we could find.

**Mr. G. I. Miller:** I am a little doubtful. How many square feet do you require?

**Mr. Justice Morand:** We are using 19,000 plus now. We will have over 20,000 square feet usable space in either of these new buildings. We are rather crowded right now, quite frankly.

**Mrs. Scrivener:** Is there parking available?

**Mr. Justice Morand:** Very little. Behind the Hydro building there are 18 spaces we can use and at the Lilian Massey I think there are 15, but there is parking space which is another plus factor we take into consideration. We are considering right now the question of cars, whether it is cheaper to lease cars—

**Mr. Mancini:** Do you still have a fleet of cars?

**Mr. Justice Morand:** We still have 10.

Interjections.

**Mr. Justice Morand:** We now have to pay rental space for them to the tune of \$5,400 a year.

**Mr. Mancini:** Can I make one recommendation? I am sorry for interrupting.

**Mr. Justice Morand:** Surely.

**Mr. Mancini:** I think you would do your office a lot of good if you got rid of that fleet of cars. I think that is a stigma attached to the Ombudsman's office by the poor people of Ontario and people who would want to use your office when they understand your office has a fleet of cars at your disposal.

I find that highly objectionable. I think you would do your office a lot of good to get rid of that fleet of cars and have your employees drive to work like everybody else.

**Mr. Justice Morand:** Well, they don't. These are not cars for them to drive around.

**Mr. Mancini:** Oh, well, you know—when ever.

**Mr. Justice Morand:** They are left there at night. They have to go into the parking lot to get them and they are only allowed to use them on office business. They are getting pretty old right now, as a matter of fact, but we have to have them. A lot of our investigators go to places they can't get to by ordinary transportation.

**Mr. Mancini:** Civil servants are paid mileage.

**Mr. Justice Morand:** Oh yes. We've got into that. Right now there is a study on it and it may very well be.

One thing is for sure there will be fewer cars. Whether we will completely eliminate them is another question, but it is going to be a straight dollar figure when we get there—whatever is going to be cheapest for the taxpayer.

Present indications are we may be ahead of the game by leasing when we need them. But I can assure you we are getting figures from five different organizations right now as to leasing cars and it will be cross-developed

and whatever is the cheapest is what we are going to be doing.

**Mr. Lawlor:** The rental situation at the moment, to keep on that for a few seconds, is about \$285,000, is that correct? I take it that you anticipate reducing that very substantially?

**Mr. Justice Morand:** No, it is going to go up.

**Mr. Lawlor:** You think it will go up, eh? because of the added space?

**Mr. Justice Morand:** You know we added costs. It is going to run into the neighbourhood of \$340,000 when we get through, but it is still considerably cheaper than it would be if we stayed where we are.

**Mr. Lawlor:** I would have thought that Hydro, which is so openhanded in most matters, might be quite generous with you.

**Mr. Justice Morand:** Well they are screaming that we've got them lower than the market rate, but—

**Mr. Lawlor:** An empty building that has been sitting there for years.

**Mr. Bounsall:** My understanding is that they are reoccupying that with Hydro employees now though. It might be to your benefit to get the 10-year lease rather than the five, lest in five you be looking for another place because—

**Mr. Justice Morand:** We will have a 10-year lease definitely; the question is whether there is a renegotiation of rent at the end of the five. I would rather get a fixed rental for 10 if I can.

This is the old, old building. They are putting some of their employees in the old one now. They don't have any immediate plans to put anybody in the old, old one.

**Mr. Bounsall:** Are you in the old, old one? There's an old, old one?

**Mr. Justice Morand:** Yes.

**Mr. Lawlor:** Have you much of a turnover in staff?

**Mr. Justice Morand:** The last time I checked it was about 10 per cent, which they tell me is not out of line.

**Mr. Lawlor:** Kathy Cooper has left.

**Mr. Justice Morand:** Kathy has left.

**Mr. Lawlor:** Have you been able to replace her?

**Mr. Justice Morand:** Yes, yes. Kathy's husband is a lawyer. He took a job in Montreal and she had to decide whether the marriage came first or the job came first.

**Mr. Mancini:** You should have opened up a branch office.

**Mr. Justice Morand:** We can't have one in Montreal.

**Mr. Bounsall:** So you put it in Hawkesbury?

**Mr. Lawlor:** You made a \$12,000 reduction on night duty officer. How does that come about?

**Mr. Justice Morand:** We checked our figures and found that we were keeping the office open till 10 o'clock at night and we weren't getting business. Now we have an answering service that takes any calls that come in at night, which are a very few, and we have one person on duty at night who checks with the answering service at different times and so that they can always get through to us. By cutting out somebody sitting down at the office—actually it worked out to two people every night—we were able to reduce that.

The number of people who showed up and the number of calls we got were infinitesimal.

**Mr. Lawlor:** Do you continue the policy of the previous Ombudsman of not interviewing anyone in person?

**Mr. Justice Morand:** No, I do interview in person, but again my time is limited, I do so rarely. It seems like the ones I get are the dissatisfied customers who feel we should have found in their favour and want to speak to me because the fellow they want to see is the Ombudsman. They feel they haven't been fairly dealt with by my office, so those seem to be mainly the ones I see although I do see other people.

**Mr. Lawlor:** I trust they are infinitesimal too?

**Mr. Justice Morand:** Oh, unfortunately anyone who comes in who we don't agree has a legitimate complaint naturally feels we didn't understand them and there is something wrong with our office because we didn't agree their complaint was proper.

That's not all of them. I am pleased to say that when you point out the total picture quite a few of them agree they don't have a valid complaint, but we have a large number of dissatisfied customers.

**Mr. Lawlor:** I see.

I have a small personal comment to make. Among my other duties, I have acquired a new one this week. As a result of our report and turning down a particular Workmen's Compensation Board case I received a telephone call from the individual involved. He was apparently referred from your office which said go see the chairman—God bless us—as though I hadn't enough problems. I'm not a court of appeal on these hearings. All I

could say is that if we had turned it down we had done so for extremely good reasons and after excruciating deliberation, or something like that.

**Mr. Justice Morand:** Certainly it was not with my consent they were referred to you and I will check it to see.

**Mr. Lawlor:** I just don't want the volume to increase.

**Mr. Justice Morand:** No, but if you give me the name of the person I will check it out in the office.

**Mr. Lawlor:** I will. I will give it to you privately.

You have been able to cut back by \$35,000 on commercial and legal expenses. We have not filled the position of communications director and consultant which was left vacant upon termination and that remains the case.

Overall, are you leaving aside your services department basically—that is the workmen's compensation which I want to refer to again? You are basically satisfied as to the necessity of the number of people on staff?

**Mr. Justice Morand:** Yes, I am.

**Mr. Lawlor:** You need all the people you have got? There is no question in your mind about that?

**Mr. Justice Morand:** No question. It is like everything else I suppose nowadays—we can even use more, but we are not asking for more.

**Mr. Lawlor:** Turning to that area, there is increasing dissatisfaction—I am sure among some of the members too—over the very lengthy delays. If staff was needed I think staff should be acquired, that's all. With 200 cases kicking around I don't think it is wrong to say I personally have some experience in reference cases.

Some individuals haven't even been contacted. I think that has been rectified in your office though. At least an acknowledgement letter goes out to tell them you are in the picture, but weeks went by in some cases before they even asked what was happening. I think all members are now forewarning individuals that the Ombudsman's office will not probably be able to take up their cause in any concerted way for about six months. Would that be fair enough?

**Mr. Justice Morand:** Yes, if it is Workmen's Compensation Board, I shouldn't say that's limited to Workmen's Compensation Board.

**Mr. Bounshall:** Is that because there is a fair delay in getting the file from them?

**Mr. Justice Morand:** Yes, that's one of the delays. There are numerous delays in Workmen's Compensation Board cases but one I

admit is our fault is that we just don't have the staff to get on to all of these cases immediately when they come in.

That is something we are working on in the office. We have already allocated other staff members to that field—two permanently. We hope to place more as savings are made in other areas—put more actual workers on Workmen's Compensation Board cases.

Long term from my point of view I hope to speed up the procedure through negotiations with the Workmen's Compensation Board. I am a bit disappointed in my results so far, but that hasn't discouraged me. I am having another meeting with Dr. Elgie in the near future and we will continue to work at that. That and Pickering are the two priorities in our office, right now. Pickering I want to get rid of, of course, as soon as I can because it has been a long-term operation in the office. The Workmen's Compensation Board is the one that takes up more of our time than any other single branch.

[11:00]

**Mr. Bounshall:** Join the club.

**Mr. Justice Morand:** We're anxious to speed them up, cut the time down and make better use of our time. I don't want to be overly critical of the Workmen's Compensation Board but their internal procedures seem to me, as an outsider looking in, sometimes a bit—well, the word I'm trying to get at is probably "bureaucratic," I guess. If we could speed things up a little bit it would certainly be a big help to our office.

**Mr. Bounshall:** With your indulgence, Mr. Lawlor, could I ask one more question in this area? When a workmen's compensation case is referred to you and all the steps have been gone through, do you do any investigation of that before you ask the board for the file, or wait until you get the file? If I refer one to you next week, which I'm thinking of doing, would you immediately write the board and ask for the file?

**Mr. Justice Morand:** We have to give them what we call a 19(1) letter. That's in our act. We have to write them and tell them we are going to investigate this case. At the same time we ask for the file. They make a photostat copy of the file and it comes to our office, at which time it's sorted out for our office purposes.

In due course it's allocated to an investigator who then goes through the file and interviews the complainant to get his story, his complaints. Then the whole file is gone through and a preliminary report goes to the director. The director and the investigator

then discuss the case and decide what further investigations can be done. In some cases, a person will be sent back to a doctor to get a further medical report.

Each case is different. It's hard to put it into specific terms.

**Mr. Bounshall:** I was just asking about the routine when you get a case referred to you. How long does it take—and I think I'm speaking about the bureaucratic side, as you were—after the board is informed for you to get that photostat copy of their file?

**Mr. Justice Morand:** Months.

**Mr. Bounshall:** I don't see any reason for the delay. They have a file, they can photostat it, and they can get it over to you.

**Mr. Epp:** It should take two days.

**Mr. Bounshall:** I appreciate your frustration in that matter.

**Mr. Justice Morand:** I've written some letters and all I can say is that I'm still negotiating.

**Mr. Epp:** Mr. Lawlor, with your indulgence—

**Mr. Lawlor:** Go right ahead.

**Mr. Epp:** Mr. Morand, you have the authority to get it. What is the delay?

**Mr. Justice Morand:** First of all, we don't have the staff to put somebody in there. We could go in, sit down, and make a copy ourselves. Also, it's pretty difficult for me to complain too much about that delay when I say, "I can't put an investigator on that for three or four months." I can complain about delays when I have a man ready to go. My first priority is to clean up our act so I can complain. I have written. I wrote the chairman earlier this year listing eight cases that we've waited for months to get replies on and we did get some action. There is continual negotiation to try to see if we can't expedite these things.

I recently found out for the first time that when we send in a 19(1) letter the board does nothing with it except send us a copy of the file. They don't conduct any investigation themselves at that stage to see if maybe there might be a valid complaint. They don't do anything until we send a 19(3) letter. Most people we do business with, as soon as they get a 19(1) from us, take a look at their situation to see if maybe they did goof. I have no control over the internal workings of the Workmen's Compensation Board.

**Mr. Epp:** No, I appreciate that. I just get the impression from what you're saying that they're almost deliberately thwarting investigations.

**Mr. Justice Morand:** I can argue their side too because I've gone into it. They say, "We have 400,000 complaints a year. They have to go through our procedure. We have a corporate board. Things must go back to the original board and then go from there to the corporate board. If the corporate board is busy"—so on and so forth.

**Mr. Epp:** To give those files to you?

**Mr. Justice Morand:** No, to give the file to us there's no reason why that can't be done quickly.

**Mr. Bounshall:** And yet it's taken up to some months.

**Mr. Justice Morand:** I did qualify that by saying I can't complain too much about that aspect because it is not holding us up at this time. We have the files for all the cases we can put people working on.

**Mr. Epp:** The way I see it, whether or not you have a shortage of staff is really irrelevant to their operation.

**Mr. Justice Morand:** Right.

**Mr. Epp:** When the request comes from the Ombudsman I would have thought you would deal with it posthaste and that they would give you the file—no questions asked.

**Mr. Justice Morand:** They'll give it to us.

**Mr. Epp:** They give you the file within a day or two. The fact that somebody shuffles those papers around in his desk for three months before you get the file seems almost incomprehensible. It's no wonder they get bogged down in red tape because every time they pick up that letter they use up a few seconds. They probably do that over a three-month period—I'm not sure how many times—before you finally get the file.

**Mr. Justice Morand:** The day I have a worker ready to go and I don't get a file for him there will be loud screams.

**Mr. Eakins:** You have to ask for it before you're ready for it?

**Mr. Justice Morand:** We do. We have files ready to go in the office right now, so I'm not in a position to scream about that aspect.

**Mr. Lawlor:** Nevertheless, the Workmen's Compensation Board, as I understand it, has appointed a special liaison officer between the board and the Ombudsman's office in order to have someone to talk to immediately who has authority. I think that was a good advance at that time. I would think if there are any hangups with respect to getting files, et cetera, that can be fairly easily obviated.

**Mr. Justice Morand:** That is why I qualified it when I brought that point out. That's

true and that committee is working. That person is very good; his authority is another matter, of course. Within the board he can't make any decisions. He has no decision-making power; it all comes back to the corporate board. That's why I used the word "bureaucratic." There is no one person there who can say, "Yes, you're right. We're going to correct that matter."

**Mr. Lawlor:** Have you had a chance to speak to Michael Starr about this?

**Mr. Justice Morand:** I've talked to Mike. Mike and I have known each other for 40 years and we get along very well together.

**Mr. Lawlor:** Surely he'd be prepared to have the board extend authority to Mr. O'Brien to act on these matters with promptitude.

**Mr. Justice Morand:** The act says they're independent.

**Mr. Bounshall:** That would have to be a corporate board decision, I assume, to give that authority to Mr. O'Brien or whoever it is.

**Mr. Justice Morand:** I don't think there's any chance of that.

**Mr. Bounshall:** Yes, but are you saying that when you investigate a case and come to a conclusion on your part the response to your conclusion is made by the corporate board?

**Mr. Justice Morand:** Yes.

**Mr. Bounshall:** What are the delays at that stage?

**Mr. Justice Morand:** We have one that lasted eight months.

**Mr. Bounshall:** The term "bureaucratic" is the most diplomatic one you could use, I think.

**Mr. Justice Morand:** They may have their problems.

Let's put it this way: I am presently contemplating other action. I don't want to go any further than that right now.

**Mr. Lawlor:** I hope it's not incendiary. You're not going to blow the bloody place up?

**Mr. Justice Morand:** I don't think so.

**Mr. Bounshall:** You do give some training and education to your staff; of what does that consist?

**Mr. Justice Morand:** We have people come in to give them lectures. We've had several medical people come in to our Workmen's Compensation Board staff, for instance, to assist them on medical problems.

**Mr. Lawlor:** Yes, one day the committee was up there and they had somebody in on an emotional overlay.

**Mr. Justice Morand:** Right. Emotional overlay—for those not familiar with the jargon—is psychiatric problems.

**Mr. Lawlor:** I think everyone is familiar with that one.

**Mr. Justice Morand:** Some people aren't as familiar with the Workmen's Compensation Board as you are, Mr. Lawlor.

**Mr. Lawlor:** Half our cases involve this condition and when one sees it, one shudders as to how to handle it. In some instances they seem to recognize it and in others they do not.

On merit pay; throughout the summary, sheet after sheet has been provided. There's a category of merit increases. In some instances, they appear fairly substantial. For instance, in this correctional and psychiatric services—salary—biweekly—\$11,000, the total amount of the merit increases projected is \$5,000 some-odd. How is that done? Is that a civil service thing, too?

**Mr. Justice Morand:** That's one of the things that the studies we're doing right now will take into consideration. In my view, merit pay has been treated as something that is almost automatic. It shouldn't be treated that way. That's something that is likely to be changed.

**Mr. Lawlor:** I was thinking of making a motion before this committee this morning that members of the Ontario Legislature be compensated according to merit pay, et cetera. I can think of nothing more disruptive of the operation of the democratic assembly. That won't do it any harm. It might stir up this place.

I'd be very pleased to see it set up precisely on that basis. The sums involved here are very substantial if you take them. If they're all automatic with the regular pay increments, it escalates your budget constantly.

**Mr. Justice Morand:** Except that there is a limit to which they can go. There are five categories they can go through, but when they reach the top category that's the end. However, I think in our new structure, without second-guessing what our report is going to be, there are likely to be some changes.

**Mr. Lawlor:** What would optimal merit pay be in the best category?

**Mr. Justice Morand:** As I say, they can go through five categories; when they reach the top, that's the end.

**Mr. Lawlor:** That applies to each classification? And I take it that the people holding higher positions are more meritorious than those down below.

**Mr. Justice Morand:** Most of them have reached the limit of their merit pay.

**Mr. Charlton:** I think if you look at what's probably happened—where the merit-pay system has failed is that it has become very automatic. In fact, it's used more as a punishment than as a credit, if you like; unless you are in a position to be punished for something distressing—

**Mr. Justice Morand:** Unless you really foul up.

**Mr. Charlton:** —you automatically get demerited as opposed to getting a merit increase for merit.

**Mr. Justice Morand:** I won't quarrel with that definition.

**Mr. Mills:** do you have anything you wish to say on that point?

**Mr. Mills:** No.

**Mr. Justice Morand:** Mr. Mills has very strong feelings about that.

**Mr. Bounshall:** In agreement with Mr. Charlton and yourself, by and large?

**Mr. Justice Morand:** Yes. He's shaking his head, yes.

**Mr. Lawlor:** Are you subject to merit pay?

[11:15]

**Mr. Justice Morand:** No. I give no raises.

**Mr. Bounshall:** And you have no possibility of indiscretions?

**Mr. Justice Morand:** The boss has to be the front man who takes the blame as well as the praise.

**Mr. Lawlor:** Well, I am content, thank you.

**Mr. Acting Chairman:** Okay, Mr. Eakins I believe is next on the list.

**Mr. Eakins:** My questions, Mr. Chairman, have pretty well been answered. Do you foresee in the future, Mr. Ombudsman—and having served on the committee I know a great deal of background; we have discussed quite a bit of this—do you foresee any great changes in your plans which are going to affect your budget increase or decrease?

**Mr. Justice Morand:** One thing, of course, is the change in office rent; that will come up next year. I would hope that as we make some changes in the office I can direct people from jobs they are doing now to Workmen's Compensation Board work. No decision has been made on this, but maybe it will go to the Board of Internal Economy to see if I can get a couple of extra workers in the Workmen's Compensation Board field. If we can make a breakthrough there and expedite things, maybe we can obviate that.

But, as I say, negotiations are going on at this time. If they are successful and we can expedite that, we might get away without having them and be able to use people in the office. I don't know. It may be that by the time I know—Ms. Adams, who is in charge of that branch would like to get a couple of extra employees, as she so indicated to me. It is under consideration in the office at this time.

**Mr. Eakins:** Of your 117 employees, how many are non-permanent or how many are law student research assistants?

**Mr. Justice Morand:** Well, we have—

**Mr. Eakins:** Do you still employ them?

**Mr. Justice Morand:** We have five. We have a total of law students—contract people other than the articling students who are there in the office, I think we have four, and those are mainly because of age. I think they all are mainly because of age; that is, people beyond 65 who I think are valued employees to the office, we carry them on. We can't carry them on regular complement.

**Mr. Eakins:** Will your office still be travelling to various communities throughout Ontario as you have in the past?

**Mr. Justice Morand:** Yes, but perhaps not as much. Two things are of interest there. First, we cut off the southern cities this year because we found, at least by checking of the statistics, it probably wasn't worth doing. Second, with the regional office we have in Thunder Bay and another one we hope to open shortly we won't have to send as many people out from our office. It will be changed in format slightly. The people in that area, with perhaps one or two people from our office, will go. It will be done more on an appointment basis rather than just a general hearing, but there will still be hearings in the area because we consider it important that everybody throughout the province has an equal right to use the Ombudsman's service.

People in the area of Toronto and up and down the Great Lakes have more ready access to our office than people in the remote areas. It is true that they can write to us and phone us, and they do that. But we feel that we are here to represent everybody in the province and we feel that they should have equal access to the office as well as people in the more populated areas.

So while we hold no hearings within a 100-mile radius of Toronto—I think it is a 50-mile radius, I'm sorry—we do hold them in the distant areas and we think it is important to do so.

**Mr. Eakins:** I suppose it is a question, too, of whether you look upon some of these meetings in some of the areas as to whether it is for service or profile. Having visited other jurisdictions, it is my feeling the Ombudsman's office in Ontario perhaps is better known by the people in the province here than similar offices in other jurisdictions in the world really.

**Mr. Justice Morand:** I hope so.

**Mr. Eakins:** Yes, I see.

**Mr. Justice Morand:** My view is that if you are going to have an Ombudsman at all, he should be effective. An ineffective Ombudsman is useless.

**Mr. Eakins:** Yes. I think perhaps the meetings in the various communities throughout the province have been able to give the Ombudsman's office that profile that the office is certainly available to the people. Even in comparison to Sweden and some of the other countries where an ombudsman has been long established, I still feel the people of Ontario are more aware of the office here than they are in other jurisdictions.

**Mr. Justice Morand:** One of our statistics which appeals to me, as a newcomer to this job, is that we were able to help in excess of 2,400 people last year to correct something which had gone wrong between them and the provincial government. That is a pretty impressive figure to me.

**Mr. Eakins:** I think that is all I have, Mr. Chairman.

**Mr. Chairman:** Mr. Bounshall.

**Mr. Bounshall:** Yes; thank you, Mr. Chairman. If I had been on the Ombudsman committee I probably wouldn't have to ask some of the questions which I am asking. I want to talk about the line between the jurisdictional and non-jurisdictional areas. Do you deal with situations or groups or institutions that are in financial straits because of cutbacks or non-adequate increases in funding from the province? Where are you in that area?

**Mr. Justice Morand:** This gets into a very dicey area.

**Mr. Bounshall:** Yes.

**Mr. Justice Morand:** Because it is not up to us to establish government policy.

**Mr. Bounshall:** No, I understand that.

**Mr. Justice Morand:** If a person comes in and says he has a complaint that he is personally affected, or a group is personally affected, we then, of course, by our act must make at least a preliminary investigation. If it is a straight government policy that doesn't

preclude us from investigating; but it is an area, I think, where we have to exercise great discretion because we are not elected, we are only appointed. My personal view is it is not really the duty of the Office of the Ombudsman to tell the government what it should do. It is up to the elected representatives, the members of the House, to tackle the government on policy. Now that doesn't mean there may not be cases in which we would express our views.

**Mr. Bounshall:** Let me give you two examples that have come to my attention. We all sort of search our minds to determine how we could help the first one I am giving you.

There are groups very concerned about adult illiteracy in the province of Ontario. Although there are one or two school boards that have taken an interest, it is mainly the libraries in Ontario, and groups associated with the libraries, that have concerned themselves with adult illiteracy. The figures are pretty staggering; it is something like 30,000 between the ages of 19 and 25.

**Mr. Justice Morand:** My quick answer would be we have no jurisdiction.

**Mr. Bounshall:** Their problem is they have no funding whatsoever. Your quick answer is unfortunate. I suspected it might be that, but we are searching as to where they do go. The libraries were formerly under the Ministry of Culture and Recreation, but the education of adult illiterates does not seem to be a direct tie-in with culture. The Ministry of Education does not have this, or has not taken it on as one of its educational problems. Where does a group interested in the real and obviously very large problem of adult illiteracy in Ontario go in order to get even let's say \$1,200?

**Mr. Justice Morand:** We not having jurisdiction they would have to go to members of the Legislature, I would presume.

**Mr. Bounshall:** The same thing, I gather then, would apply to parent groups around a school when they are told by their local board of education that the reason they cannot get particular equipment for the school, or that the school must close, is because of the cutback in provincial funding.

**Mr. Justice Morand:** Again, we have no jurisdiction.

**Mr. Bounshall:** You have no jurisdiction because of the fact that it is a local school board in that area?

**Mr. Justice Morand:** Right.

**Mr. Bounshall:** Okay, that is then clear. Just one final question in the area—

**Mr. Lawlor:** May I ask the member a question? Would you extend the jurisdiction?

**Mr. Bounshall:** Yes, I would; but I wanted to ask the Ombudsman: In that area I would be in favour of extending that jurisdiction, because the school boards and municipalities are creatures of the province anyway, and certainly some extension, if not an entire extension into that areas, I would think might be eminently reasonable; now where would you stand? I know you would have problems in that you would have to increase your staff, but in personal terms as the Ombudsman, where do you stand in seeing the need for your jurisdiction to be extended in those areas?

**Mr. Justice Morand:** That is an interesting question and I will give you a direct answer. When I first came in I wasn't sold, quite frankly, on the Ombudsman getting into all fields. I now am personally satisfied that the Ombudsman does a good, valuable job for the citizens of the community. I think that the Ombudsman concept should be extended and I think such an office should have jurisdiction over all phases of government, federal, municipal and provincial. Whether it be my office or another office is something for the Legislature to decide, but I think in my view the Ombudsman concept is a good concept, it is a valid concept and it does a good job. I think all fields should be covered.

**Mr. Bounshall:** I am glad to hear your answer in that direction. In commenting on that, I can see that with a federal problem that probably should be addressed by a federal ombudsman. In Ontario, with the municipalities and school boards and what have you operating under provincial legislation and with a degree of funding by the province, do you see that as an area that should be added to your jurisdiction as a provincial ombudsman or would you see it as requiring a separate ombudsman for those municipal areas?

**Mr. Justice Morand:** That is really a question for the Legislature to answer.

**Mr. Bounshall:** I know that, I am just interested in your view. Having to deal with these non-jurisdictional cases that come before you and saying you have no jurisdiction, or pointing them in some way where they might get help, you are sort of into that area. What is your feeling about it?

**Mr. Justice Morand:** There are two ways that I can see it being handled; and I want to make it clear that I am not advising the Legislature what to do, it is their decision.

In the United States a number of the cities have ombudsmen. There is an approach that

could be taken by the Legislature to have our office do the whole field; there is the approach that, through powers extended by the province, it could be given to the cities to appoint their own. Now in the bigger places that is no problem; but then, again, you get into the question of local option situations. Some places will have them, some places won't have them; perhaps the places which shouldn't have them are more likely to have them, or those which should are more likely not to have them. What I am getting at is some places where they are really needed you might not have one, so that to really cover the whole field properly under the makeup that we have in Canada—and I am talking off the top of my head now—it appears the provincial ombudsman is the person best equipped to handle it, in my view.

**Mr. Bounshall:** I agree. There could be legislation that says it is your field until, in your opinion, by recommendation to the Legislature, you would designate a given city, area or regional government as one now appropriate to have their own.

**Mr. Justice Morand:** Are they going to use local option, though? There is the question. If you leave it up to local option you are going to have an unfair extension.

**Mr. Bounshall:** That is the problem, yes. You will get areas that need it the most but won't perceive the need, and that is what has caused the need to have one in the first place.

**Mr. Justice Morand:** That is right. There is a theory and it is one that is pretty prevalent in the ombudsman field and appeals to me, which is the ombudsman concept develops where there is a need. You can't push it faster than the public's awareness of the need. When the need becomes established it will get extended. That, of course, is very consoling to those in the field who say, "Ah well, I guess we are just not ready for it yet." But that may be a cop out too, if I can use the ordinary everyday parlance. This is why I say it comes right back to the Legislature. The Legislature is the elected representative body and it is going to have to decide, in my view, whether it is needed. If it is needed, then it is going to be up to the Legislature to make that decision.

[11:30]

**Mr. Eakins:** Can I add to your question, Ted? I am just wondering if this became a function of the Ombudsman in Ontario, whether there would be a tremendous addition of staff.

**Mr. Justice Morand:** A tremendous addition.

**Mr. Eakins:** Because you are now only advising the non-jurisdictional people where to go and being of assistance in that way. But if it became generally acceptable that the Ombudsman of Ontario took on municipal complaints, a lot of thought would have to be given as to how it would be handled.

**Mr. Justice Morand:** I am satisfied that it would at least double our work. It would probably be more close to triple.

**Mr. Eakins:** But I think Mr. Bounshall is dealing with the principle of it.

**Mr. Justice Morand:** Yes.

**Mr. Bounshall:** It came as a result of the committee hearings we have had on Bill 19, the absolute dedication of the people in the adult literacy field who simply are receiving no support whatsoever, and cannot seem to get any. Twenty-two publications of readers, at what one would call the grade one, two, three and four level, were available for production by the London literacy group, and they desperately needed \$1,200 to print them. However they were adult stories and there was nowhere they could get any money.

I gather they finally convinced London city council to give them some help in this. But really, where do they go? Further, there are groups of parents, at the end of their tether, trying to keep their local school open in a situation where the board has determined to close it. They have had no recourse except a year and a half down the road at next election time.

**Mr. Justice Morand:** Maybe they could put in for a Wintario grant or some such thing.

**Mr. Bounshall:** There is no place for either of those frustrations to be met.

**Mr. Justice Morand:** Not in our office, no.

**Mr. McGuigan:** Mr. Chairman, may I have a supplementary? I have a philosophical question to the point that the need comes first. Isn't that the basis of the whole political theory that the need is always there? We tend to say, "Well this great leader came along and showed us the way."

**Mr. Justice Morand:** I think that is true.

**Mr. McGuigan:** The need is there before the leader.

**Mr. Justice Morand:** I think that is true myself. We like to think we are leaders. The question is are we leaders or followers; is the public there ahead of us all the time? Speaking as a man who is getting older but not old yet, the longer I live the more I come to the conclusion that we are more followers than leaders.

**Mr. Bounshall:** But we should be the other?

**Mr. Justice Morand:** Yes. Usually there is a leader who follows the need, somebody who comes along at the right time; the need is already there but he becomes the leader because he perceived the need first.

**Mr. McGuigan:** Another question somewhat follows one raised by Mr. Bounshall. What about the uninsured drivers compensation fund? Say a person received an award several years ago, has there been any updating to account for inflation?

**Mr. Justice Morand:** From the former judgements?

**Mr. McGuigan:** No?

**Mr. Justice Morand:** If I follow your question: if there was judgement given 10 years ago and they still haven't collected, it is still the same judgement, it didn't change; although if nothing has been paid on it there may be interest accumulating over the period of time.

**Mr. McGuigan:** No, if somebody was given an award, say 10 years ago are they still receiving the award with no adjustment?

**Mr. Justice Morand:** There are no adjustments on judgements. Judgements remain the same. But I am not sure I am quite following your question.

**Mr. McGuigan:** It follows from a complaint. This man received an award years ago and now of course the award can't cover the same percentage of living costs that it used to cover.

**Mr. Justice Morand:** As long as it's a court judgement it remains the same.

**Mr. Epp:** Mr. McGuigan, are you suggesting that these settlements, like \$1,000 for 10 years, aren't they cash settlements in the sense that you get \$10,000 and that's it?

**Mr. Justice Morand:** That's what I was afraid I wasn't following about your question.

**Mr. McGuigan:** I guess I'm really not that familiar with the system to know are they cash judgements or are they monthly income?

**Mr. Justice Morand:** No, they are cash judgements. There are some cases, they might be covered by OHIP or something of that nature, in which the money, by virtue of that judgement—there are two or three different ways it could happen, it could be a judgement whereby a person got X number of dollars—where some of that money would be put away to cover monthly income for the life of that person; but the judgement remains the same, it doesn't change.

Let's take an example, a case I know whereby a person got a judgement for an amount in excess of \$200,000. Money was

put away out of that to bring in an interest rate so that the fund would last the lifetime of the person. There was a deal made with an insurance company. Out of the fund, which stays the same because the monetary judgement that was granted remained the same, the deal made with the insurance company was X number of dollars were paid to the insurance company at that time and they were then to take care of the person with so many dollars per year. That can't be changed because it was based on a judgement of the court. The other portion was made for the benefit of the person, but the same \$200,000 plus was the judgement and always remains the judgement.

In other words, it is a cash settlement at the time based upon the cost of living at that time. Presumably the courts took into consideration all of the exigencies of life, to use a legal term, that there would be an increase, and over the years that amount has been worked out in computing these judgements at varying figures—four per cent, five per cent, six per cent cost of living increase; that is built into the judgement.

Now if that changed the court can't be seen and decide what the rate of inflation is going to be. The court takes the standard rate at that time and applies it to the cash judgement for that total; so it doesn't change over the years, it's theoretically built into the judgement.

**Mr. McGuigan:** I have just had the complaint and have written the person asking for the details. I'll have to explain it to him.

**Mr. Justice Morand:** Again, we have no jurisdiction over the courts.

**Mr. McGuigan:** On the point of making a deal with an insurance company, I agree that in rising interest it's like all insurance policies, it's a poor deal for the fellow who holds the policy, isn't it?

**Mr. Justice Morand:** The courts don't actually make that decision. They may go along with it if the party agrees. In other words, it is a settlement type arrangement. If the court agrees to give judgement, the person himself is the person who actually makes the deal with the insurance company, not the court.

**Mr. McGuigan:** The main question I wish to ask concerns what is your relationship or how do you fit into the scheme of things with legal aid people, what arrangement do you make with legal aid?

**Mr. Justice Morand:** We will refer, and do refer, people to legal aid in cases where they have a legal recourse. We will tell them

where to go, who to see and so forth so that they can get a lawyer.

We are a court of last resort, as it were. If they have a legal right they should exercise their legal right. Until such time as their legal right is exhausted and their right of appeal is exhausted we have no right to get into the action. We are limited by our act. If they have a legal right it is up to them to pursue their legal right. Now we will assist them to the tune of telling them where to go and what to do.

**Mr. McGuigan:** You might say to a person the matter hasn't gone the full course, go to legal aid. Then if legal aid acts unsuccessfully and the recourse is exhausted they can come back to you.

**Mr. Justice Morand:** Yes, because we are not limited to legal remedies, you see. The person can lose. They might not have a legal remedy but they might have, let's say, a moral right if you wish to use that word. They've been badly dealt with and we could go to whatever branch of government that fits into our jurisdiction and say: "Well this person was unsuccessful but we feel he has been badly dealt with and should be paid."

One case we are dealing with right now is with one branch of government. I'm limited to disclosures by our act, but in this particular case, at this stage of our investigation it appears this person is the loser by some \$32,000 by what appears, and I am qualifying all of this with at this time, to be a goof by government. We have no legal recovery and it may well be our recommendation will be the government pay this person \$32,000.

It isn't finalized yet, but I personally am working on that one, and present indications are it looks like there is a goof on the government's part to the tune this lady is out \$32,000.

So it can get pretty—as a matter of fact we get involved in cases where millions of dollars are involved.

**Mr. McGuigan:** That would have to go to cabinet, I suppose.

**Mr. Justice Morand:** What the ministry does with it after we make our recommendation is between the select committee and the ministry involved.

Of course, they might agree with us that we're right and they might make the payment.

**Mr. Lawlor:** We have a recommendation on that very point, which will come up in the House before long in debate, as to what we call ex gratia payments and how it should be handled by ministers.

At the present time, the government simply refuses, on the recommendation of the Ombudsman or otherwise, to pay out moneys to people to whom they are not under strict legal obligation.

**Mr. Justice Morand:** They have paid some.

**Mr. Lawlor:** Yes; on occasion, on compassionate grounds, they have done it, yes.

**Mr. McGuigan:** I don't think we're under any particular time constraints today or we don't seem to be pressed too much. Perhaps you can help me with a case.

A chap wrote in who has a long-standing legal thing, going back for years and years with legal aid in Hamilton. The man now has another lawyer who is interested in the deal and I am trying to get his papers back, all his correspondence, his files and so on and so forth, from the lawyer. The lawyer won't answer. He won't talk to me on the phone; he won't answer or call back. He won't answer my letters. Time is running out on this case, the statute of limitations is running out.

**Mr. Justice Morand:** If I would guess, I would guess he says, "Pay my bill and I'll give them to you. I've got a lien on the papers until such time as I have been paid."

**Mr. McGuigan:** He hasn't even said that. He just refuses to communicate.

**Mr. Justice Morand:** Well the law society might express an interest in that matter.

**Mr. McGuigan:** I've gone to the head of legal aid and he promises me action, but nothing happens.

**Mr. Justice Morand:** I'd go to the top, to the law society.

**Mr. McGuigan:** Well, I've gone to the Attorney General, at least I have a letter.

**Mr. Justice Morand:** I still think the law society. You get quicker service out of the law society than you will anywhere else, I would think.

**Mr. McGuigan:** What burns me up about this case is, there is—what do you say, an emotional overlay? He called the lawyer up and threatened the lawyer. The lawyer called me. I immediately got the Ontario Provincial Police to take the fellow's weapons away. I acted immediately on his behalf and he won't even answer my communications.

**Mr. Justice Morand:** What will happen if you go to the law society is they will immediately write him a letter. I can assure you he will reply to it because his livelihood is then an issue. They can take away his right to practise. If he doesn't answer their letter, that's what will happen to him.

[11:45]

**Mr. McGuigan:** I am not trying to take over Bob's position in our party.

Interjection.

**Mr. Chairman:** Mr. Miller and Mr. Eakins.

**Mr. G. I. Miller:** Again, maybe getting back to the Workmen's Compensation Board and the work load that has been escalating, do you foresee that levelling off with some recommendations to the Minister of Labour and in particular to the Workmen's Compensation Board?

**Mr. Justice Morand:** Success seems to lead to more success; since we have been successful there are a number of cases with Workmen's Compensation Board. The effect seems to be that more people come to us. The members send us a good many of our Workmen's Compensation Board cases.

I don't know about levelling off. I would like to think that it will level off. I would like to think that as we go through the backlog that has accumulated over the years there will be some levelling off, but there have been no indications of it yet. My hope, I'll put it that way, is that through better communications with the WCB, perhaps with some changes in their procedures, we might be able to expedite these matters to clean them up more quickly.

**Mr. G. I. Miller:** Can you foresee any data coming forth that you can make recommendations on that could be useful and maybe utilized?

**Mr. Justice Morand:** Well one thing that I have considered, the Office of the Ombudsman has in the past made a special report and I am considering that avenue at the present time. No decision has been made on it but it may be the answer to our problem.

**Mr. G. I. Miller:** Maybe along the same line: has there been good co-operation between the ministries; are you satisfied that you are making progress along that line?

**Mr. Justice Morand:** Yes, I am.

**Mr. G. I. Miller:** With recommendations that you have made?

**Mr. Justice Morand:** I have been very pleased, quite frankly, with the response of the ministers, deputy ministers—

**Mr. G. I. Miller:** Could you give us some example of that?

**Mr. Justice Morand:** Perhaps one on which I have done some work recently is in the correctional field, which I think is perhaps the model as far as our office is concerned. The ministry immediately gets onto the problem. Now a vast majority of complaints we get in that field are dealt with by the

ministry before we go any further than to notify them. It is taken care of just that quickly, and that, of course, is what our aim is.

When we send out a 19(1) letter our hope is that the ministry involved will get busy on the matter and clean it up right away without going any further. That doesn't mean because we send out a 19(1) letter that the complainant is right. That is just merely a notification that we have a complaint and that we are going to make an investigation.

It would appear to me that common sense on the part of the ministry would be to immediately see, well, has this person a legitimate complaint, to make their internal investigation immediately. In the correctional field that happens, I hope it will carry through to all of the ministries. It is the case in nearly all of the ministries at the present time, and I hope that within a few years it will be universal. It certainly would make our job easier.

**Mr. Eakins:** I have just one question. We discussed the importance of access to the Ombudsman's office, provincially, federally and municipally. Would you suggest that perhaps there are some areas under provincial jurisdiction which should be phased in before we look at the all-over picture of, say municipalities, which I think will take a lot of consideration? It is a very big issue. What about some of these areas under provincial responsibility; colleges, universities and some of these areas? Are there some areas that you would suggest that perhaps we should be looking at prior to the overall picture?

**Mr. Justice Morand:** Yes, I have a man in my office whom I am in the process of detaching from his regular duties. He is a person of very high calibre who will be spending some time going over our act, updating our recommendations for changes in the act, and that is one of the things to which he will be addressing himself.

**Mr. Eakins:** I see.

**Mr. Justice Morand:** There are some 300 ministries, boards, et cetera, in the province with which we are still not dealing. That means a potential doubling effect in these varying areas since there are over 700 boards, ministries, agencies, et cetera in the provincial government. That is one of the things to which he will be addressing himself, the areas to which we should be extended. This man is a very valuable employee so far as I am personally concerned, but unfortunately I don't think our pay scale is such that we are going to be able to keep him working for us much longer. In my view, he is capable of

being in the \$100,000 a year class outside of our office and there is no way that we can match that kind of pay scale. But I want to get the benefit of his experience before he leaves us, which I think is inevitable in due course. He is a good employee and a valuable employee, but I certainly cannot expect him to go on sacrificing his own future for the benefit of the office.

**Mr. Eakins:** I think that would be an important initial area to look at.

**Mr. Justice Morand:** That is one I want to get him to do before he leaves us, because I know it is inevitable that he is going to leave us. It is just a question of when.

**Mr. Eakins:** Thank you. That is all I have, Mr. Chairman.

**Mr. Chairman:** Mr. Lawlor.

**Mr. Lawlor:** I have just a couple of other things that have occurred to me. You use, fairly extensively, outside professional personnel; psychiatrists, doctors and whatever. Are those figures available? They are not set out separately under each of these internal designations of the various offices.

**Mr. Justice Morand:** It is not an awful lot of money, it is an item which we try to keep down and only use where necessary; however, we have found on occasion it is necessary for the benefit of the person making the complaint. He has to be reseen.

**Mr. Lawlor:** What would be a ball park figure with respect to all external professionals?

**Mr. Justice Morand:** Mr. Mills, could you assist me on that?

**Mr. Mills:** It was \$99,000 in the current fiscal year.

**Mr. Lawlor:** You have had a fair number of attacks on your—not quite your integrity, but on your jurisdiction in the courts over the years. Have you been obliged to hire outside legal personnel?

**Mr. Justice Morand:** We have, at great expense to the office. We have won both of those so far, although on the last one I heard rumours of appeal from the other side. That is the Pickering one. The other one we won in the court of appeal, the Health Disciplines Board. On that one they have until early November to decide whether they want to go to the Supreme Court of Canada. We haven't heard anything and we presume they are not going to take it there; but we don't know that for sure yet.

**Mr. Lawlor:** When does the time for appeal run out on that, pretty soon?

**Mr. Justice Morand:** They have until November 4 or 5 I would say.

**Mr. Lawlor:** What portion of the \$99,000 is legal?

**Mr. Justice Morand:** Allan, can you help me on that?

**Mr. Mills:** I don't think I have that figure with me but I could certainly supply it.

**Mr. Justice Morand:** It would be a very rough guess if I gave it to you—\$10,000 or \$15,000 maybe.

**Mr. Lawlor:** Ten thousand? Oh, it is only a small portion. The psychiatric and other services are the preponderance of the—

**Mr. Justice Morand:** Well, maybe I should correct that. That is what I think we have expended at this time. It may be more before the year is out. I think we allocated somewhere in the neighbourhood of \$20,000 or \$25,000, if my memory is correct, for the year. Did we allocate \$20,000 or \$25,000 for legal fees?

**Mr. Mills:** For the current fiscal year.

**Mr. Lawlor:** Where is that found in these estimates?

**Mr. Mills:** It is under the heading of legal professional services.

**Mr. Lawlor:** I see. Legal services and complaints policy. Is that the one?

**Mr. Mills:** You will find it on page 12.

**Mr. Lawlor:** Page 12. While I am looking that up, let me ask I think my final question.

You or the previous Ombudsman's office did a major investigation in correctional services, and submitted a report which I thought was highly beneficial.

At that time or thereabouts, you also did work in juvenile institutions, training schools and whatnot. That report I have never seen. My understanding is that you reached fair degrees of accommodation with the then minister and the major problems were clarified. Correct me on that if that is not so.

I would love to have seen that report, and have the work continue. There must be some form of documentation of what you finally arrived at; I am asking you whether or not that is available to the members of this House.

**Mr. Justice Morand:** Can I check back on that and give you an answer?

**Mr. Lawlor:** Yes, I'm very interested in that. I think that's a vast area that has never been given surveillance.

**Mr. Justice Morand:** We have a very good investigator in that field, Bob Jarecki, particularly with juveniles. I can certainly check up on it.

**Mr. Lawlor:** I would appreciate it if that report can in any way be made available,

whether or not the ministry has accepted your recommendations in full. It seems to me highly beneficial to those members of the House sitting in justice committees—on correctional services in particular—to have some background information, some insight as to what was arrived at.

**Mr. Justice Morand:** In the correctional field we're satisfied with the response. I can't give you the answer on the juvenile, because quite frankly it hasn't come up since I've been down there. I'm not familiar with it but I'll certainly check into it and let you know.

**Mr. Lawlor:** I don't know if you ever reduced it to writing. In any event, in line with the total openness of the Ombudsman's office and your solidarity with freedom of information, which I am sure is deep—you wouldn't want to be accused, as others have been, of withholding anything—if that is available in any form I would be interested in reading it.

**Mr. Justice Morand:** Anything we are not statute-bound not to disclose we will disclose.

**Mr. Lawlor:** That's fine. Thank you, Mr. Chairman.

**Mr. Charlton:** We discussed earlier today an area that really falls into government policy. You said although you didn't feel it was the job of the Ombudsman's office to attempt to set policy, there were a number of areas in government where, although the funding may not be laid out by statute—it is usually laid out in the budget and tinkered with—the functions of the agencies are laid out in the statute. What they are legally required to perform is set out.

**Mr. Justice Morand:** We have an opening there.

**Mr. Charlton:** To what degree would you get involved in looking at whether or not ministry funding is adequate for an agency to perform its statutory obligations?

**Mr. Justice Morand:** If we make an investigation and we come to the conclusion they are not allocating sufficient of the available funds to a field, we would have to determine that it was unreasonable—or words that fit into our statute—for the department not doing that. That we can do, yes; and that we are prepared to do.

**Mr. Chairman:** Any further questions? Members of the committee, we have then, it seems to me, concluded the estimates of the Office of the Ombudsman. How things change in a year—two hours, quiet.

**Mr. Lawlor:** I wanted to take time out, as chairman of that committee, to commend the Ombudsman. I think it is the only set of

estimates which you will find in the whole of the government estimate thing which has actually been reduced from the previous year. That's unbelievable, and I'm sure it warms the hearts of certain people around here.

**Mr. Epp:** Mr. Chairman, if I might add my thanks, I think one of the reasons the session was fairly short today was because the Ombudsman has been very open with us this morning. He has answered the questions, as far as I am concerned, very straightforwardly. There is no concern on my part that we should be having a great in-depth

type of inquiry. This has often gone on into these kinds of things, so I want to thank him for his approach to the estimates and to his office. I think he is handling it in a very excellent manner.

**Mr. Chairman:** Thank you, sir, very much. Thank you, members of the committee.

**Mr. Justice Morand:** Thank you, gentlemen. Like everybody else, I love praise.

**Mr. Chairman:** We shall meet on Wednesday next at 10 o'clock.

The committee adjourned at 12:01 p.m.

## ERRATUM

No.	Page	Column	Line	Should read:
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**From the Office of the Ombudsman:**  
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No. G-3

# Legislature of Ontario Debates

## Official Report (Hansard)

General Government Committee  
Estimates, Office of the Provincial Auditor



Third Session, 31st Parliament  
Wednesday, October 31, 1979

Speaker: Honourable John E. Stokes  
Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, OCTOBER 31, 1979

The committee met at 10:30 a.m. in committee room 1.

### ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

**Mr. Chairman:** It is 10:30. We are now beginning seven hours that we have as a committee to deal with the estimates of the Office of the Provincial Auditor. Sir, if you would please come forward.

**Mr. Scott:** At your pleasure, Mr. Chairman.

**Mr. Chairman:** Do you wish these gentlemen with you?

**Mr. Scott:** Yes.

**Mr. Chairman:** Then please come up here. I think it will be better. Gentlemen, we have the provincial auditor with us and two of his colleagues. Do you have an opening statement?

**Mr. Scott:** Not as such, but what I would like to do is thank you for the opportunity of being before you this morning and I would like to introduce staff members who are with me. On my immediate left is Mr. Archer, the assistant provincial auditor and on my extreme left is Mr. Gillis, who is our administrative officer.

Mr. Chairman, I did prepare a very brief booklet for the benefit of the committee so if it's your pleasure we will open it to questions rather than any further statement.

**Mr. Chairman:** Thank you, Mr. Scott. If I may ask for some direction. I know Mr. Germa is here for the duration of these estimates representing his caucus—

**Mr. Germa:** That's right.

**Mr. Chairman:** —and, Russ, you are—

**Mr. Hall:** Yes.

**Mr. Chairman:** Right. Okay. Fine. I guess technically we begin with the Liberal member.

**Mr. Hall:** In this particular instance, it's certainly the proper thing to do. I am on the public accounts committee, as is Mr. Germa, and over the course of the year I have an opportunity to work quite closely with Mr. Scott, Mr. Archer, and others from time to time.

I fully understand the need for an expanding budget because of the new responsibilities

placed by the Legislature on the provincial auditor in the latest construction of the Audit Act. In one item in appendix A, I notice that there are 10 vacancies and I imagine this is possibly hampering the program of taking on the additional work as set out in the act. I would like to find out from Mr. Scott whether this vacancy situation constitutes a real problem in terms of his getting competent staff to assist in this large field of responsibility.

**Mr. Scott:** Mr. Chairman, if I may respond to Mr. Hall, unfortunately the vacancy rate as of this morning still remains at nine. We have found it very difficult to attract qualified accountants into the public service. I approached eight of the leading national firms early in this year to see if I could second from them an audit manager or an audit supervisor. The senior partners of those firms that met with me were quite enthusiastic about the approach. However, when they went back and reviewed their inventory of personnel they found that they had no spare bodies and therefore could not second to my office a manager or a supervisor. As a matter of fact, the majority of those firms had been advertising locally themselves for qualified accountants.

Therefore, not being able to acquire qualified accountants, we have to rely upon our student training program. We did have one successful candidate last year in the uniform exams of the Ontario Institute of Chartered Accountants. In September this year we had another five students sit the uniform exams. We are keeping our fingers crossed that they are all successful and that they will remain within our organization.

This, basically, is the purpose of our training program, in view of the fact that we cannot seem to attract qualified accountants because there is a definite shortage. There seems to be a trend in some cases for them to drift westward to the province that has an abundant supply of oil and possibly a little higher wage rate than we have in Ontario at the present time. So it's a common problem—

**Mr. Mancini:** Sticky problem.

**Mr. Scott:** Sticky problem. I agree with you.

**Mr. Lawlor:** Alberta is becoming quite a problem.

**Mr. Scott:** So this is our situation at the moment and we are endeavouring to do this. This is the purpose for getting out this little pamphlet. We will be in the universities recruiting, along with the firms in the private sector, in the next week or so and we will be trying to attract some bachelor of commerce students from the universities to article with our office rather than with some of the larger firms.

**Mr. Hall:** Mr. Chairman, I notice in the little brochure that the students you referred to are enrolled in all three of the professional accounting associations—the certified general accountant, the chartered accountants, and registered industrial accountants. In the operation of the branch and your potential for advancement, is there any differentiation by you, sir, with respect to the type of degree that is obtained? This is to say, if you are not a chartered accountant, are your opportunities for upward advancement limited in any way if you are CGA or an RIA?

**Mr. Scott:** Mr. Chairman, in response to Mr. Hall, I would say we treat all three professional bodies on an equal status. We currently have four audit managers who have other than the CA accounting degree. Promotions within the office are not based strictly on the academic degree obtained by an individual. It is based upon performance plus the academic degree and standing.

**Mr. Hall:** Report writing relative to audits: this is done by the individual who made the audit and it's not done by any other, separate, trained person. Is that correct?

**Mr. Scott:** That is correct, Mr. Chairman. The audit manager or supervisor in charge of the audit prepares a draft memorandum addressed, in the case of a ministry, to the deputy minister. This is then reviewed in detail with ministry officials. He then submits his working papers and that draft report to the director.

The director reviews it and goes over it to see that he has covered all the points and that he has sufficient backup material to support his recommendations. The director then forwards that report and working papers to Mr. Archer. He reviews it and then I do a very quick review prior to submission to the ministry or the crown corporation.

**Mr. Hall:** In the conduct of the affairs of your office, would you have any idea as to the total amount of fees paid out to do the annual audit work of agencies in the province of Ontario; that is hospitals, boards of education, community colleges, or universities

funded by the government? How big is this profession, relative to Ontario's participation and needs?

**Mr. Scott:** Mr. Chairman, I am sorry I cannot answer that question because to my knowledge there is no means by which the audit fees paid by such organizations as boards of education, community colleges, general hospitals and so forth are accumulated. I am able to acquire that information.

I might add that we currently are working very closely with the committee on the Institute of Chartered Accountants of Ontario, in connection with the audit of general public hospitals to ensure that the private sector will apply the same standards and guidelines to the auditing of general hospitals. A considerable amount of money—I believe something in the neighbourhood of \$2 billion this year—will be paid to general hospitals in the province to ensure that the same standard of audit is conducted by the auditors of those hospitals.

If these standards, when they are drafted, are acceptable, we can eliminate any duplication of the necessity of either the Ministry of Health internal audit looking at the hospitals or my office going out and doing any work in general hospital areas.

We hope this will eventually filter on down to all organizations that are audited and receive moneys from the consolidated revenue fund.

**Mr. Hall:** At the present time then, the opportunities you have to look at the annual audited statements of the types of bodies I have referred to are limited to the work that you do within each ministry, whereby you are planning ahead to review 25 per cent of the programs each year. Therefore, over four years you would touch on all of them and the only opportunity you have to scrutinize the audit statements of a community college or a hospital or something like that is during the course of that review.

**Mr. Scott:** It is our intention in the course of our audit of a ministry and in doing a program, as we can under section 13 of the Audit Act, to select a certain area and go out and do an inspection on it to see that the moneys provided to that university or community college or general hospital are utilized for the purpose for which they were granted. In other words, we check that grants given for operating expenses are not filtered off and used for capital purposes or some other purpose.

**Mr. Hall:** Has it been a requirement in the past, or will it be a requirement in connection with this new standard type of audit that you are seeking to have implemented, to do a

dating of expenditures? You do this in terms of ministries and the public accounts information you produce for the committee details month by month as to when money flows out. Is this in the practice with these other bodies?

**Mr. Scott:** Not to my knowledge, Mr. Chairman.

**Mr. Hall:** Is this a requirement you would ask for in this new standardization you are seeking?

**Mr. Scott:** I can't say at the moment that it would be a requirement, but certainly we had hoped that it would be an area that would be taken into consideration during the course of the audit.

**Mr. Hall:** I take it from that you are saying that it is not uniformly done now and not necessarily done by the greater percentage of the individual audit firms that do these audits.

**Mr. Scott:** I have no knowledge as to whether it is or is not currently done by the individual audit firms. In connection with the guidelines and standards that we hope to develop, this has been done in conjunction with the auditor general of Canada. He is spending a considerable amount of public funds in Ottawa researching the particular area of what he terms comprehensive auditing or operational auditing, whatever terminology you wish to use, and therefore we are not endeavouring to reinvent the wheel; we are working very closely with the auditor general. He is making available to us all of his findings and information.

[10:45]

As a matter of general interest to the members of the committee, I have a very good film produced on this by the auditor general, which I hope we will be showing at the public accounts committee meeting on November 8. If any member of this committee would like to get an insight into the type of auditing that will be developed and carried out in the public sector, I would certainly recommend that they plan to attend that meeting on November 8 and view that film.

**Mr. Hall:** Those are the main questions I have at this time, Mr. Chairman. I think I should just add that with four years on the public accounts committee I have a distinct impression we are very well served by Mr. Scott and his staff in the carrying out of their duties. Thank you.

**Mr. Germa:** Mr. Chairman, the provincial auditor has been described by various people as the watchdog of spending for the province

or the country, and that puts us in an unavoidable position of trying to watch the watchdog—which is something like trying to bell the cat. It is very difficult for us to know; if the provincial auditor is the peak of scrutiny and he is for governmental spending, then who are we to second-guess him? But despite that difficulty, we are charged with the responsibility of examining carefully—if you can't believe him, who can you believe, but yet can you believe the provincial auditor? He is spending over \$2 million; some people would consider it not very large in this big \$13 billion budget of ours, but—

**Mr. Hennessy:** You and I could use it. If we had that we wouldn't be here.

**Mr. Germa:** Anyway, we have to do this and try and determine in our own minds that he is operating his office with efficiency and economy, which are the latest buzz words in accountancy across the land.

I have to start with a basic bias against the accountancy profession: it is a self-licensing, self-governing, self-disciplining body and I am suspicious of any institute which has all of that power vested within itself. It is like contemplating your own navel and to that degree I am as suspicious of accountancy as I am of the legal profession and the medical profession and all of those people who operate in that unreal world, this marble tower of professionalism. You and I as laymen just put our noses against the cold glass and we look in the window and we really don't have an insight or have any faith that they are policing themselves adequately.

Certainly accountancy doesn't have the bad reputation of some of the other professions, but it might just be better at covering up its indiscretions. I don't know that and I am not making accusations, but we have to be observant.

The auditor made the point just a few moments ago that because of the shortage of qualified chartered accountants and CGAs and RIAs, he is having difficulty recruiting staff. Some people, including myself, think the shortage is an artificial shortage, created by the profession itself in order to protect itself from a competitive marketplace. We charge other professions with that. Why should we not charge the accountancy profession with having a selfish interest in maintaining a shortage of qualified people? Maybe the auditor, as a chartered accountant, would like to respond to that observation.

Another thing I am concerned about in financial reporting is the vagueness of the statement which accompanies every report.

This provincial auditor's is no different from any other financial statement I have ever read. He makes this statement with two paragraphs of equivocations before he states his opinion. He accepts the generally accepted auditing standards. The statement is made with that equivocation, and: "It considers such tests and other procedures as I considered necessary in the circumstances." Then he doesn't make a blunt statement that this represents the true picture. He equivocates again by saying, "In my opinion." Anyone can offer an opinion.

As a lay person I find that all responsibility for the signing of that document has evaporated by the time you go through all the equivocations. I don't know why auditors cannot say with some definite statement that this is a fact and not only an opinion. A fact and an opinion are two different things. Every financial statement, both here and in the private world, is accompanied by that equivocation and statement of the auditor.

The new buzz words in accountancy, are economy, efficiency and effectiveness. I had great hopes when the new Audit Act was passed in the Legislature that, some way or other, we would have some statements on value for money; unfortunately, we missed out on one "e." While the auditor is charged with evaluating economy and efficiency, he is not charged with evaluating effectiveness.

Without that third "e" you do not get a statement of value for money, and I think that is very important. There has to be someone who will make an assessment and say that these expenditures of money have resulted in the people of Ontario getting value for their money. Even though the Audit Act has been in place since 1977, I have not seen any great thrust in that direction to inform us or to advise us that, "Yes, we did receive value for expending \$13 billion last year." Nowhere in any document have I seen—

**Mr. Hall:** You would have trouble getting it accepted.

**Mr. Germa:** We would have something to bounce off then. Right now, we have nothing to bounce our opinions off; if the statement was that value was received for money expended, then we could tear that one apart and make a determination. If we don't have any bench-mark to start from, then we are still wandering around in the dark.

I understand, and I know, that as a result of the new Audit Act the provincial auditor does have added responsibility, and I understand that he needs more staff in order to carry out the extraordinary responsibility he

is charged with. I think one of the biggest responsibilities is that the recipients of transfer payments are now subject to his scrutiny, if he sees fit to follow those dollars into the university or community college. I am wondering if that also applies to transfer payments to municipalities, to determine if—and I just forgot the wording of section 13—these moneys are expended as dictated in legislation or regulation.

The right of access to accounts: the auditor really doesn't have right of access to every account in the province of Ontario. The case in point is the Ontario Health Insurance Act, where we did have some difficulty a few years ago in having the auditor have access to certain documents. I understand that privacy of information is one of the inhibiting factors, but I think that in the case I recall the privacy of medical records was inflated to such a degree that the auditor was inhibited from doing the job he is charged with and responsible for.

To get back to the shortage of qualified staff, I note that the auditor has a program of training people and I am going to ask him some specific questions about certain expenditures. He might like to respond, to give me some dollar figures, maybe.

The payment of fees—I presume that is tuition fees—and the cost of the in-house training programs for these trainees; in certain instances the trainee can attend classes and be considered to be on the payroll. You might tell me what sort of restrictions or protections we have there.

Merit increases for a trainee—in fact, merit increases for any of the staff. I have always been suspicious of merit increases. I think when a person contracts to do a job he should do the job at full capacity and not expect an extraordinary reward because he did what he was contracted to do. That is exactly what a merit increase means; that fellow is not doing what he was contracted to do, but this fellow is doing what he was contracted to do. Consequently, he gets a merit increase and the fellow who isn't doing what he has contracted to do does not get a merit increase.

In my experience, I have seen merit increases abused, totally abused. In fact, I have had people come in front of me, as a city councillor, begging for a merit increase when it should have been obvious to that person that if he had done extraordinary work he probably would have been noticed and received his merit increase. But he did use the citation that he hadn't had a merit increase in some 10 years and everybody else in the department had. Maybe that's what it was,

he wasn't worthy of a merit increase—and that is a difficult measurement to make. Who is worthy of merit and who is not worthy of merit?

Maybe I should stop there, Mr. Chairman, and maybe the auditor would like to answer a couple of the questions I have posed.

**Mr. Scott:** In response to Mr. Germa, I would like to say that when we say there is a shortage of qualified auditors, there is a considerable number of qualified accountants. What we are looking for, however, is someone who has had experience in the private sector in auditing, in order to fit into our organization.

You can get a tremendous number of qualified professional accountants, either in the RIA designation or the CGA designation, who have worked in one narrow accounting area and who have obtained their professional designation, but they have never been exposed to the auditing field. The shortage right at the moment is in the auditing field: to find experienced, qualified accountants who have had that experience.

In dealing with the opinion and the certificate—

[11:00]

**Mr. Germa:** Could I interject there, Mr. Chairman? How does the shortage relate to the protectionism which seems to be inherent in all of these self-governing bodies?

**Mr. Acting Chairman:** I think what he's asking is—and maybe you should deal with it—do you feel there's a shortage?

**Mr. Scott:** There's certainly a shortage and it depends upon the number that qualify under the uniform exams that are set by the institute, when you're speaking of the CAs. I can't tell you how many students will be writing the uniform exams in the month of September, but presumably it will be somewhere in the neighbourhood, across Ontario, of 1,100 to 1,200. And like any set of exams, only a certain number will qualify under those exams. Out of the 1,100 or 1,200, whatever the number may be, somewhere in the neighbourhood of 60 to 65 per cent will be successful, which I think is about the average in most professions.

It's basically the same as the educational system all the way through. Not everybody is successful.

**Mr. Germa:** Is a 45 per cent failure rate not high? I think it's possible to rig an examination to disqualify probably 100 per cent. That's not only the complaint I get from students who have failed. In fact, I've known people who have written the exam two or

three times and they're functioning in the field very well. Yet they can't get that designation, even though they're holding down full-time jobs in accounting departments for large municipalities, I should add.

**Mr. Scott:** Mr. Chairman, I think this is true. In some instances it's the makeup of the individual. You have some individuals who, when faced with a time limit for an examination, sort of freeze. It's a psychological effect and they're probably not capable of getting their answers down on paper within the time limit. This is the only measurement you have to know, whether the person can work under the pressure he may be under when he does get his degree. There have to be some standards and guidelines and it's the examination process that establishes that for the initial qualification.

**Mr. Germa:** Who establishes how restrictive this examination is going to be?

**Mr. Scott:** There's no establishing how restrictive it's going to be; it's basically whether they pass the exam. The exam is set by individual examiners; it is then marked by individual examiners and it depends upon the marking of those papers. I dare say if they were all successful, they would all pass. But those who fail do not meet the standard.

**Mr. Hodgson:** Are these standard exams from year to year, or does the examination paper change from one exam to another?

**Mr. Scott:** The paper does change from year to year. It's not a standard paper.

**Mr. Germa:** But it is set from within the governing body.

**Mr. Scott:** That is correct.

**Mr. Germa:** So I would suggest that governing body can determine the number of students coming on to the market very precisely by the tone of the paper.

**Mr. Scott:** Mr. Chairman, I would say there's always that possibility, but I would say that's not the function of the institute at the present time, or of the CGA or the RIA.

**Mr. Germa:** It's not a protective body at all?

**Mr. Scott:** Not to my knowledge, no.

**Mr. Germa:** There's an opinion out there to that effect, that it's a highly protective organization protecting its flanks.

**Mr. Scott:** In reply to that, the only thing I can say is I'm not aware of anybody who has passed the examination who has been disqualified, unless it's for personal conduct.

Dealing with the effectiveness of the audit area that Mr. Germa brought up, the Audit Act, 1977, was very carefully worded. It is

if the provincial auditor or any parliamentary auditor starts examining the effectiveness of a program, you are either going to be in support of that program or you're going to be critical of that program.

My own personal opinion—and I'll use the word "opinion", Mr. Germa—is that no parliamentary auditor should be in that position, because he's taking away the prerogative of the Legislature and particularly of the opposition members, who can either criticize or support a government program.

What we as parliamentary auditors should be seeing is whether or not the objectives of those programs have been clearly defined, so that when the Legislature is requested to pass the estimates of a program, they know what the objectives are, and when the results of the year are made known, the results should be published. Then the individual member would have the information necessary to judge the effectiveness of that program.

Once the Legislature has accepted the estimates of a ministry, I have to agree that they have accepted the policy behind those estimates. If there's to be any criticism of that policy, it should come from the parliamentarians, not from the auditor. Therefore, the act is very carefully worded. Our act is identical in that respect to the auditor general of Canada. I can assure you that he will not be measuring the effectiveness of federal programs.

Mr. Germa: I suppose it goes along with the makeup of the individual in the office at the time, but I think a former auditor general of Canada did make evaluation as to value for money, whether or not he was authorized to do it. I think he did it quite effectively. And I think he did assist the parliamentarians in directing them to an area where, in his opinion, value for money was not received. I'm speaking of Maxwell Henderson, the former auditor general of Canada, who year by year used to consistently tick off the government and bluntly state that the people of Canada had not received value for money expended.

Mr. Scott: Mr. Chairman, in response to that, I think you can go back to even before Maxwell Henderson, to the Watson Sellars era in the mid-1950s. It was not effectiveness of programs they were measuring; they were stating what is termed in Ottawa as unproductive payments. They were not measuring the effectiveness of a program per se, but taking individual isolated items. The most common one that is brought to bear is the Bonaventure, in the mid-1960s, on which Maxwell Henderson commented, where some-

where in the neighbourhood of \$12 million to \$13 million was paid. By the time they got the Bonaventure reconditioned, it was scrapped. That was not commenting on the program per se of the armed forces, but on an "unproductive payment."

Mr. Germa: I think he even went further than that. I recall one incident when they had repaired a medicine cabinet for \$12,000 or something. He said the people of Canada had not received value for the money expended on the door of that medicine chest. That was on the Bonaventure. Now that was a statement on value for money, not a non-productive payment. Sure, the whole Bonaventure boondoggle was nonproductive payment, but when he went into the nitty-gritty of it he pointed out to the people that this was not good value for money expended.

Mr. Scott: But he was not evaluating the overall effectiveness of the armed forces program. The effectiveness of a program is very broad. Until such time as you have the objectives clearly defined, it is very difficult to evaluate the effectiveness of any program.

Mr. Germa: In your opinion, should a government, when laying out its budget, determine what the end result of that expenditure should be? Is that the weakness in the program?

Mr. Scott: I would say that in order to start to measure the effectiveness you have to start at the beginning; the estimate process. Currently in Ottawa they are evaluating this particular aspect of the estimates. On either the final day or the day before the House was dissolved in Ottawa the public accounts committee in Ottawa brought forward a mocked-up version of the Department of Agriculture estimates. They made very strong recommendations that Parliament submit their 1980-81 estimates for several departments on a new basis.

I believe that by 1981-82 all departments will be on this basis and show the objectives and the number of man-years required to carry out those objectives. In carrying on from there, the public accounts will then take on a new format when it will show the results of those particular ministries or departments.

Mr. Acting Chairman: Pardon me for interrupting. Is that management by objectives?

Mr. Scott: I would say use whatever terminology you want—management by result, management by objectives, whichever buzz words you wish. Let's put it down in another more simple way—good management.

**Mr. Acting Chairman:** But the government has these terms: management by objective.

**Mr. Scott:** By results.

**Mr. Acting Chairman:** One of the terminologies.

**Mr. Scott:** That is correct.

**Mr. Acting Chairman:** Pardon me for intercepting.

**Mr. Germa:** Would the auditor have any opinions on another buzz word, zero-base budgeting? Does that lend itself to accomplishing economy and efficiency?

**Mr. Scott:** Mr. Chairman, if I may respond, it really doesn't matter what buzz words you use. Certainly zero-base budgeting seems to be the top buzz word at the moment, and a lot of people are endeavouring to promote it by holding seminars and courses and so forth. But to sum it up just as I did a moment ago, all you are talking about is good management.

If you are going to have good management, management will review their programs, state their objectives and measure their programs to see they are meeting those objectives. It is far more important that it be done in the public sector than in the private sector. Some people don't like the idea of you using that, but it is a terminology. But in the private sector you've got that bottom line. Management can be judged upon the profit derived by their organization. You haven't got that in the public sector and certainly I think there has to be some form of measurement.

**Mr. Germa:** Did you go through this routine when you made up your present budget?

**Mr. Scott:** As you know we only have one program in our budget. The directors review the audits that will be necessary in the next year, the amount of staff they require to conduct those audits and then we prepare our budget on that basis.

**Mr. Germa:** Under zero-base budgeting you have three options, I understand. You make up a proposal for a maximum and you have another proposal for minimum operation and you have an intermediary position. I think this office could determine how wide their audits are going to be, how thorough they are going to be. You could, in fact, inflate this budget three times I am sure and still justify it. Going deeper and deeper into this thing, there is no bottom to this well as far as I can understand. Why did you stop at \$2.3 million? Why not go up to \$2.6 million or down to \$1 million? You could go either way and justify either position.

**Mr. Scott:** Well, Mr. Germa, we are a little conservative, and I use a small "c", as

far as budget is concerned. There could be no bottom to the well, as you say. We have clearly set out our objective, which is to visit each ministry on an annual basis and do an analytical review. By the time we have our staff fully trained, we hope to do 25 per cent of the programs in one year.

If we were to try to do all the programs every year, the cost to government would be horrendous. I would have to have five or six times the budget and staff I have currently. Secondly, I don't think it would be economical or efficient to do that. Third, I don't think parliament or the Legislature could handle the reports, the volume of work we would turn out in one year. Doing it on a cyclical basis, we hope to cover all the programs over a period of four to five years. That is our objective and the basis on which our budget has been prepared.

**Mr. Germa:** Have you ever done a cost-benefit analysis to determine if you spend 50 per cent more money, would the savings be greater than the 50 per cent expended? It might be advantageous to the taxpayers to increase your budget and instead of doing only 25 per cent of the programs yearly, do 50 per cent. What would the end result be? You uncover a lot of money which has been misspent, millions and millions, doing even 25 per cent of the programs.

**Mr. Scott:** In addition to us doing hopefully 25 per cent of the programs, the internal audit within the ministry will also be covering some of their programs. We will not be duplicating in the same year what the internal audit has accomplished. Therefore, even though we do only 25 per cent, at least 50 or 75 per cent of the programs will be covered in any one year, based on the operation of the internal audit and the external audit which is my office.

Mr. Germa mentioned merit increases. Our staffing and our classifications are approved by the Board of Internal Economy and they adhere to the civil service schedule of payments in which there is a minimum and a maximum.

In my office they also conduct an evaluation of all staff upon completion of each audit assignment. The auditor in charge must evaluate the staff and discuss that evaluation with the employee in order to point out his weaknesses, if there are any, so he has the opportunity to improve his performance. The audit manager or supervisor in charge is then evaluated on the performance of that audit by the director. Mr. Archer and myself evaluate the performance of the directors.

All merit increases must be approved by the management committee of the office; they are not based on one individual assessment. The management committee consists of the four directors, Mr. Archer and myself, and we meet every Friday morning to discuss audits in progress, make assignments and review evaluations and merit increases. That's the basis on which we operate.

**Mr. Germa:** How can a trainee qualify for a merit increase when he has only been with you for six months?

**Mr. Scott:** A trainee does not qualify for an increase in six months. We do not give an increase to a trainee until the end of the first year. If he is performing up to the standard we expect in his work and his academic standing is being attained, then he will get the increase. If we go to the civil service rules and regulations in that particular category of a trainee, they are entitled to a merit increase every six months. We do not give it to them at the first six months; we make it a year. Thereafter they are entitled to the merit increase every six months, but they must have their performance evaluated and be up to standard and their academic standing must be continued.

**Mr. Germa:** Is there a top limit on merit increases within the range he is hired at? Is that where the cutoff point comes?

**Mr. Scott:** There is a minimum and a maximum in each salary classification.

**Mr. Germa:** And he cannot go beyond that, regardless of merit?

**Mr. Scott:** He cannot go beyond that unless he acquires a certain academic standing in his studies and his performance is up to standard. Then he will move to a financial officer one category.

**Mr. Germa:** Provided there is an opening.

**Mr. Scott:** Provided there is an opening, and we do have the openings at the present time.

**Mr. Germa:** But if there's no opening there's no opening, regardless of merit or academic standing, he stays within that range.

**Mr. Scott:** He would move to the FO1 category. But when he completed his training and qualified, if we had no openings, he would be eligible to apply for any financial position within the government.

**Mr. Chairman:** I think there are some more questions to be raised, are there not, Mr. Scott?

**Mr. Scott:** I think you raised the question of transfer payments in connection with municipalities. We do have the right under

the section 13, inspection audits. You must realize that the larger portion of moneys granted to municipalities is unconditional grants. All we can do in that area is see that those moneys given as unconditional grants for operating expenses are not being used for capital purposes.

In other cases, where there is a specific grant, if it's for building a highway or building a bridge or a contribution to a certain building, then we can certainly see that that money is utilized for that purpose and that purpose only. That is all we can do in connection with municipal auditing.

**Mr. Germa:** You have the authority to do that now. I don't know how you can cover 900 municipalities with your staff.

**Mr. Scott:** I don't think it would be practical to cover 900 municipalities. It has to be done on a selective basis. I think because of the mere fact that municipalities, general hospitals, community colleges and universities are aware that there is the possibility we will come in and look at their records, they possibly will be a little more prudent in their expenditures. As I mentioned earlier, we are endeavouring to work through the Canadian Institute of Chartered Accountants and the auditor general's office in Ottawa, as well as the Ontario Institute of Chartered Accountants, to develop guidelines and standards so that all auditors, whether they are in the public or private sector, will be conducting audits on the same basis. Therefore municipalities, general hospitals, universities and community colleges will all be subject to the three Es of auditing, or value for money, or operational auditing, or whatever terminology you wish to use.

**Mr. Germa:** Since you have had this new power, have you in fact done any of this audit in any municipalities?

**Mr. Scott:** No, I can't think of any at the moment. No municipalities. We have checked out some of the grant payments in one or two of the crown agencies and several of the ministries that we have been into, but I can't recall, at the moment, if we have been to municipalities.

**Mr. Germa:** Do you think it's not worthy of your consideration?

**Mr. Scott:** I think it's worthy of our consideration and we will certainly be doing it, but as far as municipalities are concerned we will be doing it basically in connection with the audit of the Ministry of Intergovernmental Affairs. I don't think we've been into that ministry. We will, I hope, be into it within the next few months, but we have not been there yet.

**Mr. Hodgson:** Transportation and Communications; they do their audits. Is that done through you people or under your direction? They do it regularly in the municipalities. Before a region or municipality, whatever you like to call it, qualifies for grant money there has to be an audit. Is that done under your supervision or is that strictly T and CP?

**Mr. Scott:** No, that is strictly an internal audit of the Ministry of Transportation and Communications.

**Mr. Germa:** I did ask the auditor about the vague statement that accompanies every financial statement: all the equivocations in the auditor's opinions.

**Mr. Scott:** As with any other auditor, it would be impossible and the cost would be horrendous if we were to have to go in and check every transaction. I would hesitate to even forecast the staff I would require to check, in detail, every transaction.

I don't know of anybody who could sign a statement saying that that is true and factual without checking every detail right down to the last cent. Therefore the opinion is based on tests and therefore it can only be an opinion; it can't be stated that that is definitely correct right to the cent. In order to do that, you would have to test every transaction, incoming and outgoing, and that's impossible.

**Mr. Germa:** I can understand that in the case of a \$13 billion budget, but take a Mickey Mouse budget like my last campaign expenses of \$25,000, on which the auditor made the same equivocating statement when approving my expenditures. It's not a \$13 billion budget, it's a \$25,000 budget.

I can see your problem with a horrendous budget, but with a wee budget like that, why can they not come to a determination and say that this money was legally obtained and spent, and not just formulate a vague opinion that according to accepted accounting principles I have come to the opinion that everything is all right?

**Mr. Scott:** The only thing I can answer to that, Mr. Germa, is that it has to be an opinion because you're talking about donations.

[11:30]

The auditor is just looking at the books of the candidate; he can in no way certify or be sure that all the donations that were received actually did get into the books. Therefore, unless he was to go out and canvass every constituent in the riding and ask, "Did you contribute?" there's no way he could say that basically that is true or

factual. He has to state his opinion, in accordance with the books and the tests he carried out; it has to be an opinion. You can't pin it down to actual facts—that it's factual that every cent that was received.

I must say that in the majority of cases, I would think it is factual. But you're not going to get an auditor to state that when he has no knowledge that every penny that could have been received was actually put through the books.

**Mr. Hall:** If I may comment on this particular point. I've had to use auditors primarily for income tax purposes, for many years in the business I was in. It's my recollection that invariably the auditor would take a certification from me that all information had been revealed and in no respect had anything been withheld from him in the course of his audit.

It seems to me that that also applies in connection with the Election Expenses Act; the prime responsible person has to take such an affidavit to give you that further assurance. I think that is an additional check system that certainly puts the onus on the person, and makes him subject to criminal charges, I suspect, if he has misrepresented.

On the matter of the letter of transmittal on audited statements, I've had the impression, without having it spelled out, that what appears to be rather general terminology actually within the profession, within the disciplines of the governing bodies, those words used have very specific requirements which are known to the people who construct and peruse these statements, and use them for tax purposes and what have you. Is that a fair understanding that the words, while they may seem to be general, do have a very definite connotation to them?

**Mr. Scott:** I would agree with that. They definitely do, yes. These are the guidelines and standards that are issued and approved by the Canadian Institute of Chartered Accountants. They're standard and apply both to the private and the public sector across Canada.

**Mr. Hall:** Would the income tax branch of the federal or provincial government, therefore, be involved in the construction of that wording, so that there's no possible chance of misunderstanding of what's intended by it? Can they, in turn, use it for their purposes?

**Mr. Scott:** Usually when these guidelines are issued by the governing body, such as the Canadian Institute of Chartered Accountants, they send out exposure drafts to all areas and members so they can have feedback and input before anything is written

into the handbook that must be followed and observed by all auditors across Canada; so any organization and each individual member has the opportunity for input.

**Mr. Hall:** Is it not the case a red light lights up pretty fast if there's a variance in that wording, and statements of further qualification are made because of the general understanding of what is a full-text statement of a normal audit? If there's anything left out of that, that's a valid reason to not take the documents or the information at face value and possibly require further checks.

**Mr. Scott:** That is correct. If there's any possibility of any problems encountered during the audit, then the auditor will qualify that opinion and will publish his qualification.

**Mr. Hall:** Things like whether or not a specific count of inventory was taken on a particular day or whether it was just calculated by withdrawals of sales or by some basic measurement or something like that.

**Mr. Scott:** He would qualify his opinion.

**Mr. Hall:** Is it not true the requirements, as stated by the letter of transmittal, are in effect under review fairly frequently? Is it not the case they've been tightened up considerably over the last 20 years?

**Mr. Scott:** There are always current changes. The institute has ongoing committees reviewing the various aspects of the profession. Changes are made from time to time and there certainly have been changes over the last 20 years.

Committees were functioning at both the Canadian institute and the Ontario institute. We currently have representation on two of those committees at the Ontario institute. Two of my directors are represented on the Ontario institute. One committee is dealing with the auditing of general hospitals, to which I alluded a short while ago, and the other one is in connection with the professionals within the public sector, which is dealing with qualified accountants in all forms of government, and any organization or association that is a creature of all three levels of government.

**Mr. Hall:** In these matters and the disciplinary body that has to do with the review and progression of requirements,

because of your position as provincial auditor and the fact you're not engaged in the private sector, are you in the role of adviser to that body yourself?

**Mr. Scott:** I take it you're speaking about the disciplinary committee of the institute?

**Mr. Hall:** The whole setup of standards, yes.

**Mr. Scott:** No, I am not an adviser. Certainly, if there's any aspect they wish to discuss, I'm free to discuss it with them at any time. This is known to the institute. I do not sit on any particular body of the institute.

**Mr. Chairman:** If there are no further questions, there are one or two housekeeping type matters the committee could speak to. Are there further questions?

Vote 1101 agreed to.

**Mr. Chairman:** This completes the estimates of the Office of the Provincial Auditor.

Next Wednesday, with your indulgence, we have been asked to take a look at one and possibly two other private bills, one about Cornwall and I think one from Ted Boun-sall's area. I don't know how many of you are going to be back. Actually, several faces, I guess, will be back Wednesday. With your indulgence, we will begin at nine o'clock again to dispose of those. Then, as you know, we begin the estimates of the Ministry of Housing at 10 o'clock. We have 10 hours for that.

Are there any other matters we should discuss? I guess that's it. I thought there was another point.

There's Bill 3, but it simply was a question of me wanting to bring you up to date on the matter of Bill 3 and how we're going to handle it. I don't think it's of interest to enough people to go into it at this stage. Do you want to?

Pat, are you going to be here for Bill 3?

**Mr. Lawlor:** Not very.

Interjection.

**Mr. Chairman:** Yes, we did. All of those matters have been resolved. I just wanted to pass them on, but we'll wait until next Wednesday.

The committee adjourned at 11:40 a.m.

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McCaffrey, B.; Chairman (Armourdale PC)  
Watson, A. N.; Acting Chairman (Chatham-Kent PC)

**Also taking part:**

Scott, F. N., Provincial Auditor









No. G-4

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**

Estimates, Ministry of Housing



**Third Session, 31st Parliament**  
Wednesday, November 7, 1979  
Morning Sitting

Speaker: Honourable John E. Stokes  
Clerk: Roderick Lewis, QC

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# LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 7, 1979

The committee met at 10:05 a.m. in room 228.

## ESTIMATES, MINISTRY OF HOUSING (continued)

**Mr. Chairman:** I call the meeting to order. We have a representative from each of the three caucuses and, if I may just get the committee's guidance on one small matter, the Minister of Housing has a lengthy and important opening statement.

As you know, normally we would go to the Liberal critic; he is not now present but will be at two o'clock. If the committee agrees, following the minister we will go to Mr. Dukszta, the NDP critic. It is possible that will take us until 12:30 so that at two o'clock we could have the Liberal critic make his opening statements. Is that agreeable?

**Mr. Dukszta:** Mr. Chairman, will the minister answer any questions I will have? This way we could proceed. How long are you speaking, Mr. Bennett?

**Hon. Mr. Bennett:** Whatever length of time it takes me to get through my remarks.

**Mr. Ashe:** The words only take an hour.

**Mr. Chairman:** We have 10 hours for these estimates.

**Hon. Mr. Bennett:** Which means we meet today and next Wednesday; is that correct? Or are we meeting on Friday? No; just today and next Wednesday. What time do we recommence; at two o'clock, after lunch?

**Mr. Chairman:** Yes.

**Hon. Mr. Bennett:** Mr. Chairman and members of the committee, as honourable members know, this ministry usually appears before the Resources Development Committee. This year we have been invited to meet with you. For those of you who have not been part of a committee studying Housing estimates, let me say it has become a tradition in my ministry to use this opportunity to acquaint you with what I feel are the major housing issues currently facing us in Ontario.

We have already forwarded to you, Mr. Chairman, program information, details on the budget and on staff and have tabled with the caucus office of the various parties budgets for all of Ontario Housing Corpora-

tion buildings in some 300 municipalities. My statement is a summary of a discussion paper of more than 125 pages covering the issues of the day, and you have also received a copy. This summary statement will touch on policy development. It will also touch on the 1979 housing market, the new federal-provincial housing programs, rehabilitation of existing stock, land policy and the important activities the ministry is in the midst of carrying out in regard to revision of the Planning Act.

As was mentioned in the information sent to you, if the committee wishes a presentation on the Townsend new community, which started since our last estimates debate, we would be pleased to put one on for the committee.

Some members will recall that shortly after this ministry was formed, a publication entitled *Housing Ontario 1974* was issued as a statement of the policies, programs, and partnerships as they existed in May 1974. The discussion paper I have developed might reasonably be described as *Housing Ontario 1979*.

Turning to the first topic, I would like to say policy development and policy change rests on four questions: What business are we in? What business should we be in? How do we get there? How do we know when we have arrived?

Initially the first two questions were answered for us by the advisory task force on housing policy which in 1973 recommended the government establish a Ministry of Housing.

This report also set out in broad terms why a Ministry of Housing was needed and the kinds of purposes it should and could serve. The ministry then set a goal to ensure adequate housing supply at reasonable cost within a sound planning framework. For the time being the questions "What business are we in?" and "What business should we be in?" have been answered.

The next problem was, "How do we get there?" In 1974, the Ministry of Housing answered this question by setting itself five objectives:

1. To increase the supply of new housing and broaden the mix of this supply to in-

clude a much higher percentage of moderately priced housing;

2. To improve the state of existing housing stock in this province;

3. To discourage speculation;

4. To reduce obstacles to the rapid increase in the supply of new housing; and, very important,

5. To delegate housing and planning responsibility to the various municipalities in our province.

The last question, "How do we know when we have arrived?" is the most difficult to answer. My staff tell me that dealing with it has led them to formulate the first law of data dynamics. The law states that, if you need data to prove that you have arrived, they will not be available; if the data are available, then you are probably trying to solve the wrong problem.

**Mr. Chairman:** Psychology of data dynamics? What is that?

**Hon. Mr. Bennett:** Imagine that—and it is cheap.

**Mr. Hall:** Is this more "You Tarzan, me Jane"?

**Hon. Mr. Bennett:** So long as you are Jane and I'm Tarzan, I couldn't be bothered. If you get it twisted around, I'm in trouble.

**Mr. Hall:** It's no deal either way.

**Hon. Mr. Bennett:** We'd be at Crosby looking for fish and chips.

**An hon. member:** As long as you're not both Tarzans, we're okay.

**An hon. member:** Reasonable men, it's happy to see—

**Hon. Mr. Bennett:** John Sewell might like that.

Interjection.

**Hon. Mr. Bennett:** The law states that if you need data to prove that you have arrived, then you are either looking for the wrong data or working on the wrong problem.

Seriously, Mr. Chairman—if we could be serious for a moment—there is a reasonable amount of data available, even if it is not always as detailed and as current as we would like. This is our major tool for assessing not only how far existing problems have been solved, but what new ones are likely to occur in this province.

[10:15]

The second component of policy change is that overall social and economic conditions change and this, in turn, changes both the nature of problems and the type of solution that society wants.

The third influence comes from the individual. In the private sector it could be a new chairman of a board bringing in a different management style. In the public sector, without doubt, ministers leave their stamps on the portfolios they hold.

In order to develop a Housing Ontario 1979 perspective, I will briefly recap what I think is the fair measure of success my ministry has had in meeting the five obligations it set in 1974. Also, I will touch on what we have learned from this experience, as well as the major socio-economic changes which have been occurring in the last five years. Finally, I will outline the policy direction I, as the minister, have set since I've taken over this portfolio.

The new ministry's first major program was the Ontario Housing Action Program. It was designed to hasten and facilitate the production of moderately priced housing. The federal government paid Ontario the great compliment of endorsing this approach with its Assisted Home Ownership Program, better known as AHOP, on to which the province was then able to piggyback its Home Ownership Made Easy (HOME) plan. There's a slight difference between the AHOP and the HOME programs inasmuch as AHOP was a deferment of mortgage payments while the HOME plan was a grant by the province. These programs were so successful that today, if anything, our problem is an oversupply of this type of unit in certain parts of Ontario.

In regard to another goal, to improve the quality of existing housing stock, we instituted the popular and successful Ontario Home Renewal Program (OHRP). About \$106 million has been distributed through this program in some 625 municipalities throughout the province. While there are at times critical remarks about this program that there is not sufficient funding, I wish to draw to the committee's attention that this is 100 per cent financed by the provincial Treasury and is not a cost-shared program with the municipalities or the federal government.

By the end of the fiscal year under review, just over 30,000 units or approximately 32 per cent of the target group will have been served by OHRP. We have therefore extended a considerable improvement in the state of this stock. For the current financial year the ministry has budgeted \$20 million for this program.

The equally popular downtown and main street revitalization programs are working extremely well. Nine municipalities now are participating in the downtown program, assisted by a budget from this ministry's

expenditure in the current year of \$12.3 million in low-cost loans for the year 1979-80. I might say that while the original \$30 million in downtown redevelopment funds has been committed, all the moneys have not been expended, obviously. There are still municipalities like Barrie, Chatham and Guelph, and one or two others, that are working on putting their programs into place. The only two that are completed at the moment happen to be Owen Sound and Cornwall.

The main street program, to which I wish to draw your attention, was designed especially for communities with a population of less than 30,000. It already has 13 participants for an estimated cost to the ministry in this current year of \$2 million. In each case, there are numerous other municipalities which have made inquiries or are in the discussion or study stage in trying to become part of the two previously announced programs.

In total, the province's contribution will be \$50 million in low-cost loans.

The success of these programs has confirmed my view that the ministry has a strong co-ordinating role to play. We can tap and draw together municipal and private sector talents and initiatives to steadily improve the quality of life in Ontario's communities. Members will recall that these programs depend on local initiative. Where the initiative and co-operation of the municipality and the local business sector have developed a viable project, the ministry provides loan assistance.

I am pleased to advise you that the major percentage increase proposed in this year's estimates is for the various renewal programs. My intention is to allocate to them \$48 million, which is \$12 million or 34 per cent more than last year.

Returning for a moment to our 1974 objectives, the land speculation tax and the land transfer tax introduced by another ministry discouraged speculation. Since that time, changed market conditions have reduced the temptation to speculate, and these taxes either have been withdrawn or now have a minimal effect on the provision of new housing.

Since forming the ministry, we have concentrated on speeding up the plans approval process and delegating substantial approval authority to the municipalities. This process now is reaching its natural culmination in the revisions of the Planning Act which my government is proposing.

Concurrent with the steady delegation of powers, my ministry has an active policy of

encouraging municipalities to plan for the provision of local housing requirements. In 1974, the ministry began funding the Municipal Housing Statement Program. This encouraged municipalities to develop local housing goals and policies and to set targets for the various types of housing which they felt were required, including requirements for social housing. This program in many cases has evolved into an annual housing review. The results have led to revised ministry goals:

1. To ensure that provincial interests are reflected through a sound community planning framework;
2. To facilitate the provision and maintenance of adequate housing; and
3. To ensure efficient use of lands acquired for residential, commercial and industrial development.

This restated approach takes into account both the changed economic and social conditions which we now face and the result of previous endeavours by my ministry.

It also signifies my strong intention and that of my ministry to strengthen and focus an active working partnership with the municipalities and with the private sector, reserving direct ministry program funding for those households and families who need it most and intervening in the marketplace only when this is unavoidable and then for as short a time as possible.

To me, this change of direction represents the most practical approach to meeting the province's housing and community planning and development needs.

The change has not happened suddenly. In estimates last October, I offered some pretty clear direction finders. I spoke of changing economic and demographic trends; of the need for budget constraint at all levels of government; of the white paper and the draft legislation which was being prepared following the Planning Act review; of the extensive housing policy and program changes being negotiated with the federal government; and of the establishment of a new land development wing with the Ministry of Housing.

I'd like to turn now to the current housing market. Some may recall the results of the new housing requirements forecast released last year. I said then that until about 1981 we estimated that a total of about 78,000 new units would be required each year in Ontario.

I also advised the House that, within the total figure, about 20,000 units would be required for rental accommodation. This represented a major change in the mix of tenure required and the total starts. A major reason

for the shift in emphasis from rental to ownership units is the maturing of the population in our province. As couples become established, obviously they want to own their own homes.

By last fall, I was already concerned about our ability to produce even the much lower number of rental units required, because Ottawa had dropped the Assisted Rental Program, known as ARP, on to which we had the opportunity to piggyback the Ontario rental construction grant.

We believe that the replacement program, graduated payment mortgage, at least for some centres in Ontario, may not provide enough assistance to produce units which can be made available at market rents. I might just add that in our discussions with the private sector re mortgaging money, they are not over-impressed—and that might even be exaggerating; they are not impressed at all—by the graduated payment mortgage. There has been a reluctance and a resistance to a great degree by the private sector to participate, other than they have been told by the federal government, past and present, if it's the only ball game in town, we expect you to be in it.

The federal government's tax credit for mortgage interest and property tax by itself can be expected to increase the demand for ownership. It would do so in spite of the fact that this effort may have been more than offset by the rising interest rates we are experiencing at this time. In theory it could decrease the need for additional rental accommodations to some extent but, I have to admit before this committee, it is very difficult to say with precision by how much.

As I said a moment ago, it was mainly because the population is aging that we had already halved our forecast of new rental requirements. Also, the rent review program in Ontario continues to make renting rather attractive and, as I'm sure all of us know, we still have an inventory of unsold ownership units available today in the marketplaces of Ontario.

In the first half of this year, there was an improvement in house sales in Ontario. This, we believe, might have been partly due to expectations that the federal government and the Minister of Finance would announce a mortgage interest deductibility scheme. Since the announcement was made, sales seem to have continued strong, even in spite of the rising mortgage rates, which may be due to the fact that many existing houses are on the market at somewhat lower than the interest rates that exist today in new mortgages.

Even if the rates had remained unchanged, the switch to ownership would occur gradually, as the percentage of mortgage interest and property taxes to be claimed, is spread over the four-year period in the initial years.

At the moment, we believe the federal tax credit scheme might reduce the need for new rental units by somewhere in the order of 4,000 units a year, after about two years; but, for this year and next year, we believe the reduced need will probably be closer to 2,000 than to 4,000.

It looks to us as though the total starts this year in Ontario will be about 65,000 units, or down about 9.4 per cent from 1978. Of these, our most optimistic figures for rental starts is about 12,000 units. If the tax credit even reduces requirements from 20,000 to 18,000, say, we believe that will leave a gap of 6,000 units.

Let me hasten to say that the gap will not be felt this year, because rental completions for 1979 should be at a very high level: probably about 800 units in excess of the original 20,000 forecast requirement. This reflects the high level of starts in 1978 as a result of ARP and a few other programs, which are due, as I say, to the former piggybacking by the province as well.

I want to say we are very concerned about a possible tightening of rental supply in the winter of 1980-81. During 1981 the situation might worsen—and I use the word "might"—if the number of rental starts cannot be increased fairly soon. My ministry has examined in detail a number of ways of meeting this problem.

A strictly provincial grant to replace the former ARP, an Ontario rental construction grant (ORCG) program, in which the federal government shared would be, in my opinion and that of my ministry and the Treasurer, far too expensive for Ontario to go alone.

[10:30]

We hope we can encourage the conversion of some unused space in the downtown and core areas of various municipalities in Ontario. In our opinion, this would be less expensive than new construction. Indeed, it would be well located as it relates to the services available to the community. I shall have more to say about this matter a little later.

The whole question of the state of the rental market, and whether or not the federal government would be willing to share in providing some assistance, is under discussion at this time both with the minister in Ottawa and with his staff.

There is no doubt about it that the current mortgage rates can be expected to have a dampening effect on new ownership and those starts in the next year. But it should be remembered very clearly that some builders, as I have already mentioned, have housing stock available, and they have mortgage money negotiated at lower rates; as a result, the consumer should benefit from those two aspects.

As I said, the inventory of unsold houses out there was likely financed at mortgage rates at something considerably less than the going rate of new mortgages today.

For a moment, I would like to turn to the discussion of the new federal-provincial agreements, which were signed in the spring of this year, and to give you some indication of how they will work, of their implications for intergovernmental relations, and of how they fit in with the revised objectives of the Housing ministry.

I am particularly pleased with the signing of these agreements, because they provide concrete evidence of the type of progress that can be made in areas of federal-provincial program disentanglement. They also clear the way for us to set up an active working partnership with municipalities and with the private sector. Under this approach the province will facilitate provision of adequate housing and improved communities by leaving major initiatives in the hands of the municipalities.

The first agreement I would like to discuss is the one on the community services contribution program. Admittedly, this particular agreement is for a two-year period only, but we have already commenced discussions and negotiations for a longer-term agreement with Ottawa.

Funding for this program replaces the funding which was previously provided under the Neighbourhood Improvement Program, known as NIP, the sewage treatment program and the municipal incentive grant program. This agreement is an important step towards the global funding approach which this province has been advocating for some years. The available funds are to be administered and distributed partly by the Ministry of Housing and partly by the Ministry of the Environment. It is the province which will decide how the funds will be distributed—that is, between the two ministries concerned—and then, within those allocations to the two ministries, to which programs and municipalities they will be assigned.

I might interject that not only do we have to decide, but also we must report to the

federal government, at a date each year as to exactly which municipalities are to be assigned the money and for which projects, with as much detail as possible, and cost estimates of the programs they are to relate to.

In the first year of the program, municipalities are eligible for something like \$51.6 million in federal grants and an additional \$90 million in provincial loans and grants. Of this total amount, \$31 million in federal grants and \$83 million in provincial aid—made up of \$49 million in grants and \$34 million in loans—is being allocated by the Ministry of the Environment under the municipal infrastructure program to fund water and sewage treatment projects in approximately 115 municipalities.

In the same time span, the Ministry of Housing is allocating \$13.7 million of the federal funds to 18 municipalities for neighbourhood improvement projects. These municipalities will also receive approximately \$6.85 million in grants from the province for these projects.

The net cost-sharing effect of these distributions through my ministry is that total project costs are shared 50 per cent by the federal government, with the remaining 50 per cent split equally between the province and the participating municipality.

Some \$6.6 million in community services contribution program funds will be used to assist municipalities to finance nonprofit rental housing projects. This, to me, is a demonstration of block funding at work. A priority is identified and, to meet it, the province is free to use federal funds from one program in support of another program.

Total federal contributions in the coming year, the second year of the agreement, will increase to \$85.95 million. In other words, it's very close to the \$86 million mark.

Since it took more than a year of intense and sometimes frustrating negotiations—and I might say it started within a couple of days after my being appointed as the Minister of Housing, to be exact, one week—to bring into being, I think we have achieved something with the federal government. My ministry and the senior staff that negotiated should be justifiably proud of the results, not only for the people of Ontario, but also for the other provinces in Canada which followed Ontario's example as we were in the lead in negotiating the agreements.

I want to hasten to say that it is, in my opinion, only a beginning. The next step, and an important one, is to persuade the federal government to continue with the community

services contribution program on a long-term basis. We would like the federal government to leave the program in place until it becomes clear that the need for it no longer exists, and we would like the program funded in a way to have built-in escalating factors to take into account inflation and other rising costs.

It is our intent and hope that some of the other federal programs, such as the Residential Rehabilitation Assistance Program (RRAP) and one or two others, might now be included within the community services contribution program and the funds that flowed to that program will be in addition to those already allocated for the coming year.

In the meantime, we are working to establish priorities for the funds that have been allocated for the second year of the existing agreement.

To have this program continued is of fundamental importance to my ministry's objective of facilitating the provision and maintenance of adequate housing. I assure you, Mr. Chairman, that we will be working very hard to achieve this goal.

The other major federal-provincial agreement signed this year concerns the new nonprofit programs. It too was signed after more than a year of discussion between the province and the federal government. A major objective was to eliminate the long-standing duplications and overlapping of jurisdictional responsibilities and provision of housing supported by public funding.

One of its most important features is the significant degree of disentanglement that it has achieved between the roles and responsibilities of the various levels of government. As a result, the agreement puts us in a better position to assist municipalities in meeting their rental housing requirements for lower-income families and their senior population.

Under the new agreements, the province now is responsible for (1) overseeing the delivery system for provincially and municipally assisted housing, including the identification of need, and (2) the approval, development, inspection and, last but not least, and very important, the administration of the varied projects.

We see the province in the role of a catalyst. While there will be a monitoring role for the ministry, the emphasis should and will be on municipal leadership. When a municipality identifies a need for development, incorporating both market rents and rent/geared-to-income, and the province concurs, then we will give those municipalities the green light to commence their operations.

I emphasize, Mr. Chairman, in nonprofit projects there will be a mix and integration

of tenants. In seniors projects, a minimum of 15 per cent and a maximum of 50 per cent of the units can be allocated to rent/geared-to-income tenants. In family housing, the range for rent/geared-to-income tenants is from a minimum of 15 per cent to a maximum of 25 per cent. In both cases, the remainder of the units will be provided at low-end-of-market rents. Market rents will be determined and agreed to by the Minister of Housing of this province.

This mix and integration of tenants is one of the most socially valuable aspects of the new nonprofit housing concept. It gets away—I hesitate to use this term but it describes, I suppose, some of the mistakes that we made in the past—it gets away from the "ghetto" image, which unfortunately has been attached to large family projects in major urban centres which are occupied 100 per cent by low-income tenants.

The administration of geared-to-income units, which form part of either nonprofit or co-operative projects—and this refers to projects under both the old and the new programs—will be delegated to the nonprofit corporation or co-operative which owns and is managing the project. This should streamline the administrative process and eliminate duplication of administration between housing authorities and nonprofit or co-operative organizations.

In the past, through the Ontario Housing Corporation (OHC), we have looked after most of the responsibilities of placing those tenants and what was to happen with them in the future. We think it now is a much better program to allow the management of a nonprofit corporation or co-op to administer the affairs of the individuals directly with OHC rather than to have OHC interfere over and above its management program.

In all such projects, reliance will be placed on private lending institutions for mortgage financing. We hope to make the fullest possible use of private capital funding in order to reduce the demands on government funds. Municipal nonprofit corporations will be required—which is changed from the past—to obtain capital financing from the private lending institutions in Canada. These loans will be insured under the National Housing Act for 100 per cent of the capital cost of the project.

Financial assistance for the ongoing operating costs of nonprofit projects will also be provided through a partnership of the federal, provincial and municipal governments. This ongoing operating subsidy will be sufficient to reduce economic rents to the low end of market and to provide additional

funds to subsidize units allocated to low-income tenants who will be paying rent-geared-to-income as a rent check.

A municipality gets its first general indication that a nonprofit project is needed when it prepares the municipal housing statement I spoke of earlier, because this is a study of all its housing requirements, based on such factors as population, household size, income, employment and the like.

Obviously, the next step is to prepare an annual housing review. We have asked that it be completed only by municipalities which have identified a true need.

It's one thing for a municipality to decide from an overview of its housing needs that nonprofit housing is required, but it's another to establish that there are sufficient families or seniors who want to live in nonprofit housing. For that reason, the municipality must make two surveys. One is to find out how many eligible families, or seniors or handicapped individuals want to live in rent-geared-to-income units in a nonprofit project. The other is to determine how many want to live in the remaining—and this is very important—low-market-rent units of the project. I would draw to the attention of the committee that that is one of the problems that I think municipalities are overlooking today.

[10:45]

At present the extent of provincial financial assistance to private, nonprofit groups and co-operatives is under review. Under the new program, Canada Mortgage and Housing Corporation is acting as the lead agency and distributing a Ministry of Housing information package which includes our set of criteria for eligibility for rent supplement programs.

The reason for the province's present role in the private, nonprofit project is to prevent the overlap with either municipal nonprofit or Ontario Housing Corporation projects. We are also considering whether the situation would be further improved if the province accepted the lead role for both the private, nonprofit and co-operative projects in Ontario.

For some reason, Mr. Chairman, when we signed the agreement on the nonprofit housing program, it was the federal minister's position of the day that while he wanted the province to look after all municipal nonprofit and provincial nonprofit housing projects to do the various things that I have indicated earlier, he wished to retain—or the federal government, through Canada Mortgage and Housing Corporation, wished to re-

tain—the rights to approve and direct private nonprofit corporations and co-ops.

I might say at this time we are looking at further negotiations in those two areas to try to reduce further the overlap or confusion that sometimes exists.

In addition to these new nonprofit projects, other options remain open both to municipalities and to the province. The existing rent supplement program, the private Assisted Rental Program and the federal-provincial rural housing program remain in place. I might add that I have some misgivings about the amount of use that's been made by the private Assisted Rental Program in this province except for places like Mississauga, which has used it effectively and very profitably for its community. I imagine it's because of a lack of sales effort by the federal government in the past to encourage developers to look at that type of program.

On the other hand, if a municipality feels that it is too small to run its own nonprofit housing corporation—and there will be many of those in Ontario—then we will invite them to ask the province to build and manage nonprofit projects within its jurisdiction, assuming, of course, that the need for it is first established.

Committee members may have seen comments in the media about paying a housing allowance to help people stay in their present units. British Columbia already has this in its SAFER (Shelter Aid for Elderly Renters) program, which is really a housing allowance program for seniors. I have to add that it seems to be popular and, from what we can determine from discussions with British Columbia and others, it is working quite well.

The concept of a housing allowance program has a lot to recommend to it. It may not be any less expensive than either the geared-to-income or the nonprofit concepts, but it could very well be the most equitable way to share available funds. It might do away with identifiable projects, whether they be owned by the Ontario Housing Corporation or nonprofit.

Not that the buildings themselves would cease to be used—far from it—but over time they would blend completely into the total supply of rental housing in most of which there would be some eligible people receiving a housing allowance. Such a change obviously would not happen overnight. It would have to be phased in rather carefully if such a course were to be followed in this province.

Mr. Chairman, I said earlier that one thing I wanted to discuss was the need to compensate for reduced requirements of new hous-

ing. I also mentioned the increased emphasis that my ministry is putting on a working partnership both with the municipalities and with the private sector.

Over the past year or so, we have been carefully watching several converging trends, and the results seem to indicate a rather substantial opportunity for us in the private sector for rehabilitation and conversion of existing housing stock in most communities of Ontario. For this we would offer to collaborate actively with the private sector and with the municipalities.

Unemployment in the construction industry is high because of a slower rate of economic growth and the reduced demand for new housing in our province. The reduced demand for new housing is due mainly to changes in population growth stemming partly from reduced immigration and to changes in the age structure of that population.

Total housing demand and supply now is approximately in balance. But I have already explained that we are likely to feel a tightening of rental supply by the winter of 1980-81. At the same time, because of the fallen household size, it is very likely that within a year or two we will have an oversupply of houses with three or more bedrooms and a shortage of small units: bachelors up to two bedrooms.

This does not apply only to the private sector, but also to the portfolio under the Ontario Housing Corporation. The reason for this is that the parents of the baby-boom generation had larger units to accommodate large families. Now the baby-boom generation has largely grown up and is forming its own families and households. Since the birth rate has fallen below the replacement level, these young families and households are mostly smaller, and their parents are left as one-or two-person families.

I think the members of this committee might be interested to know that while in 1951 in urban areas one household in 16 consisted of one person, by 1976 this proportion had risen to one in five. In other words, by 1976 just over 20 per cent of all households in the province were one-person households.

This parent generation—the parents of the baby-boom generation—is on its way to becoming a “seniors’ boom” generation and by the end of the century the number of seniors in the population will have almost doubled. Some of them are likely to be income poor but asset rich. Obviously their biggest asset will be the family home.

We've also made a survey of the state of repair of existing housing stock in our prov-

ince. Not too surprisingly, the housing stock is aging along with the population. About one quarter of this housing stock is in need of some repair. Get this figure: Almost 80 per cent of that quarter could do with improved insulation.

We also know that in downtown and core areas there is vacant or underutilized space in commercial and retail buildings that might be easily converted and used very well in the rental accommodation market. Obviously these would be conveniently located and do much to improve the vitality of the core areas in many of our communities.

As we all know, a fair amount of private sector rehabilitation and conversion is happening. In many neighbourhoods, renovated homes or those in the process of being renovated are a very common sight. This is partly due to the move to inner-city areas by upper-middle-income families who have apparently decided they want to be closer to the amenities of downtown communities or are tired of driving long distances to work and want the convenience of having a house in the central part of the community.

My ministry's programs, the Ontario Home Renewal Program and the downtown and main street revitalization programs, we believe have had quite an impact in creating some of this renovation and redevelopment. It could well be that they account for the otherwise somewhat surprising fact that the percentage of housing units in need of some repairs is about the same for all income levels. The municipalities tell us that the programs we've initiated arouse interest in the private sector, and rehabilitation in adjacent areas follows the provincial investment.

Also, with energy costs increasing, and likely to continue to increase, the need to insulate as much as possible is a harsh reality for all of us. For all these reasons, the time seems ripe to suggest that much more rehabilitation and conversion would be appropriate. It certainly offers a number of advantages directly and indirectly.

It would provide badly needed employment for the construction industry. It would increase the supply of rental units at a lower cost than building new ones. Indeed, our projections show that we need this area as well. It would help to correct the growing imbalance between household size and unit size, as I've previously mentioned. It would conserve the major assets of most families and, if insulation were improved, lower heating costs would follow. It would help to contain urban centres within their present boundaries and so improve the use of existing

municipal services already paid for and, in some cases, underused. In the case of unused commercial or retail space, it would improve the vitality of those core areas of our communities.

For some seniors, if they decide to convert a larger house into two apartments, it would provide improved retirement income, smaller and more manageable units, and proximity to friends, which is very important socially. The combined effect of these factors would probably help some seniors, in our estimation, to stay longer in their own private accommodation, which they may want to do. This, in turn, could reduce or delay importantly the need for publicly provided nonprofit units for our seniors.

The importance of tackling the problem now is that many members of our future seniors' boom are still in their 50s, at the height of their powers, with full income and ample time to plan for their own future. We have one big advantage over the baby-boom generation—I say "we," because it's just a matter of time before Ross Hall and I become seniors—we can see the seniors' boom coming.

Ross, you're a couple of years ahead of me; so I figured I might as well include you. I hate being the only one in the speech that's going to get there quickly. Mind you, after the next 10 hours I might find I'm getting there a hell of a lot more quickly than I anticipated.

We can see the seniors' boom coming, and we are in a position to start doing something about it at this time. In time the private residential construction industry would probably increase its shift into rehabilitation and conversion, but it does face some real problems in doing so: problems which might be solved more quickly if the province, the municipalities and the construction industry set up an active working partnership to overcome them.

For one thing, many firms in the building industry are small; this applies to some degree in the residential construction areas, excluding the large subdividers or developers.

We know that small firms can't afford research facilities; so they are not always aware of market opportunities. At the same time, the skilled tradesmen which these firms employ, such as plumbers and electricians and so forth, have usually had both their training and their experience on new construction. I'm sure any of those who have been involved in reconstruction will know there are special problems in applying these skills to old buildings.

We think there is one possibility that could come about from the ministry to encourage

the setting up of an association of home improvement contractors. This would give us an entity to deal with.

Members will recall, I'm sure, that we are already supporting the Association of Property Standards Officers and the Institute of Property Management. If there were an association of home improvement contractors to which experienced renovating contractors would also belong, then the experienced contractors could provide practical, down-to-earth advice on the topics that are so important in the renovation programs of Ontario. Such an association would also give the ministry, the municipalities and other interested groups, like the Association of Property Standards Officers, a forum to explain the extent of the potential market and the upgrading and quality of projects in Ontario. Also, an association of home improvement contractors might be able to arrange workshops for skilled and qualified tradesmen to learn the special problems they will experience in rehabilitation of the units across Ontario.

[11:00]

Another area where the province might be of some help is in encouraging less expensive financial arrangements. Many lending institutions are willing to make home improvement loans, but at personal loan rates, which are normally several points above the mortgage rate. At present, to our understanding, there is a lot of mortgage money available from the institutions at this time. It might be quite useful to propose to mortgage lenders that they actively promote home improvement loans at current mortgage rates.

I might say I was glad to note the new federal tax credit for mortgage interest will be based on the interest payments made on home-secured loans used to purchase or make major alterations or additions to a principal residence. We believe this will help draw attention to the idea of using mortgage loans for home improvements. We hope, of course, to make it more attractive to do so.

The major problems are the applicability of building and fire codes to older structures and municipal zoning bylaws. Other jurisdictions, such as Massachusetts, have already had some experience with applying contemporary building and fire codes to renovated or converted buildings. Working out what would best suit Ontario would have to be approached rather carefully and would involve a number of players. These would include, obviously, the Minister of Consumer and Commercial Relations, under whom the Building Code falls, the National Research Council of Canada, the Canadian Committee

on Building Research, municipal representatives, the Association of Property Standards Officers, the building industry as well as possibly Heritage Canada and the Ontario Heritage Foundation. I might add that some of these groups have already expressed interest in the problem and willingness to work on it with the provincial and municipal governments.

I recognize, when it comes to conversion, municipal zoning bylaws could be seriously affected. I have identified this as the most difficult problem. No one wants to see well-planned communities deteriorate, but the world is changing and, if we are to survive comfortably, then we must change with it. In my mind, there is no question at all of wholesale changes in municipal laws just to accommodate refurbishing. But I do think that conversion is one of the many methods we are going to need to deal with the coming seniors' boom, and it is worth serious consideration. In addition, flexible and reasonable guidelines to accommodate it could be developed. The Ministry of Housing is in a good position to help in this process; not, I might add, to become the dictator, but to be the guiding force in helping municipalities to see the wisdom in the improvement of their housing stock.

I am hoping the concept will receive serious and constructive discussion that will lead to widespread support. I think the approach can become an important aspect of a working partnership between the province, the municipalities and the private sector, which I have been discussing.

I indicate to this committee that my ministry people, including myself, have already raised the matter with the Ontario Council of the Housing and Urban Development Association, because we believe it is a well-established, representative group of the private sector in that industry.

I suggested they might like to join with my ministry in promoting discussions and an evaluation of the idea. The proposal was that HUDAC should generate discussions in the private sector, while my ministry took the same approach in the public sector. We are currently awaiting their views.

HUDAC and the private sector are very interested in the rehabilitation program, not only in Ontario but also across Canada. At their annual meeting in November they will be discussing rehabilitation and the way they should approach the subject. They realize there is a great deal of talent and skill underutilized in the work force today, and the area that is most likely to gain employ-

ment for them will be in the rehabilitation of our housing stock in this country.

Before turning to the white paper and draft legislation for the revised Planning Act, I would like to touch on the land policy within the ministry.

One of the major objectives of Housing Ontario 1979, as I said earlier, is to ensure the efficient use of lands acquired by the government for residential, commercial and industrial development. Consequently, a general development plan, along the lines of a private sector corporate merger, was drawn up and implemented in the past year.

The first step was to transfer the Ontario Land Corporation (OLC) from the Ministry of Treasury and Economics to my ministry and use it as the corporate vehicle for our land policy. Subsequently, all the land assets and liabilities of the Ontario Housing corporation, and the associated mortgages, leases and agreements for sale, were transferred to OLC. At the same time, the corporate responsibilities of the North Pickering Development Corporation and the Townsend New Community activities were folded into that corporation, along with the land development functions previously carried out by the Ontario Housing Corporation.

The effect of this amalgamation was to place specific responsibility and accountability in one area of government. I am proud to say that one major result was the saving of something in excess of \$800,000 a year in operating costs by forming a land development wing within the ministry, which serves as staff for the Ontario Land Corporation as well.

The policies of this corporation now are directed towards the orderly planning, development, marketing and financing of all its lands, including the new communities of Townsend and Seaton—formerly the North Pickering Planning Area.

Major Townsend developments are:

Ontario Land Corporation's plan for the first stage of development has been completed;

The first stage, to house 5,000 people, has received unanimous approval of Nanticoke city council in whose jurisdiction Townsend is located; and

The council of the regional municipality of Haldimand-Norfolk has formally accepted in principle a recommendation to proceed with the startup of house construction in 1980. At the present time, planning is being concluded so that official plan amendments, draft plan amendments and zoning bylaws, along with any associated financial agreement, will be concluded by early December of this year,

with startup of internal subdivision servicing during the winter of 1980. The Townsend and Nanticoke creek pathways, serving the new town, were started this past summer.

I might say I was delighted at the time we turned the first sod that Mr. Miller, the local MPP, and Bob Nixon, the adjacent MPP, were both present with us for that rather historic occasion. It was also delightful to see there a number of people who had lived on the lands that were going to be occupied by this new Townsend project. They were rather enthusiastic that there was a major undertaking to develop in that part of the province, down along Lake Erie.

While there have been long-drawn-out discussions and some debates, as well as some controversy, I would have to say it appears that while not everyone will be 100 per cent satisfied, there seems to be a fairly general feeling that it is in the best interests of Haldimand-Norfolk to proceed at this time with this development. Townsend is planned to grow to 40,000 persons by the end of this century and will assist in the orderly development of the Haldimand-Norfolk region, which we think will experience rapid growth as a result of massive industrial development in that community.

As I mentioned earlier, we are prepared to present further details on Townsend if the committee so wishes.

One of the basic goals of the public land banking carried out at Townsend and at Seaton was to create balanced communities which would be desirable places in which to live. We hope to unite the best possible planning and private enterprise entrepreneurship. We will do the planning and servicing of and then offer the lots to builders, because we recognize that they can do the best job of construction and marketing.

In both Seaton and Townsend our lot prices will be competitive with the lowest that private developers would have sought if they had assembled and developed the same properties.

At Townsend, there will be a variety of choices in housing design, price and location to satisfy the social and economic requirements of the Townsend residents, including affordable houses for the Nanticoke industrial work force. We have had discussions with people representing the major unions that will be involved with the Steel Company of Canada and others, to gain some insight as to what they believe are the requirements in the community.

The major developments relating to Seaton, formerly known as the North Pickering Planning Area, are:

Of the 10,125-hectare (25,000-acre) planning area, 2,754 hectares (6,800 acres) will be used to develop the new community for 75,000 to 90,000 persons. About 6,075 hectares (15,000 acres) is currently being farmed; a major portion of this will remain in long-term agricultural use, and some of it will be pieced off to the conservation authority.

Seaton will assist the province's aim to foster economic growth east of Metropolitan Toronto. The Ontario Land Corporation has submitted an official plan amendment and documents to Durham and, in the middle of this month, details of the corporation's long-term plans will be presented to a joint meeting of the Durham region and the town of Pickering councils. Detailed community plans are scheduled for completion in early 1980, while sewer, water and other engineering designs will be completed in late 1980 or early 1981. All things going well, construction of houses should commence in 1982.

As in Townsend, the Ontario Land Corporation will not assume the role of builder in the development of Seaton. This will be left to the private sector, which will build the houses and the commercial and industrial developments, using private financing in the normal way.

Similarly, the corporation will be using private sector financing, probably from chartered banks, for part of the internal servicing of the site. In other words, it will be functioning as any private land development corporation would function.

There are other lands that have some concern to the members of the committee and indeed to the minister. For example, there is South Cayuga. The Ontario Land Corporation is currently examining in great detail the future use or disposition of these 5,143 hectares (12,700 acres).

I emphasize, Mr. Chairman, that we will not be making any further major purchases of land, but it may be necessary to acquire certain odd, small, key sites or road allowances to make our holdings compatible with good planning and development.

[11:15]

Let us turn for a moment to one of the very important functions of the ministry over the next year or two or three or whatever period of time it takes to deal with it.

It has now been some five months since the white paper on the Planning Act was released. I am going to presume that most of you here are familiar with its contents; if not, you may wish to refer to the discussion paper I have tabled. Therefore, I don't intend to spend any time going over the background.

Instead, I would like to take this opportunity to try to clarify a few of the initial concerns that relate to the white paper proposals which have been brought to my attention through the extensive public participation process that we have held over the past five months or more.

Obviously, I would be amazed if there were not areas where there was some disagreement. In other words, I have to think this is to be expected. The Planning Act affects so many varied interests that the task of balancing these interests, and developing proposals which will completely satisfy everyone that is concerned with it, is virtually impossible.

The province has placed particular emphasis on the vital part that the municipalities play in the planning process. They are without doubt the key actors in this process, and their role will become even more important in the future planning of their communities and of Ontario.

For that reason, I would like to take a moment at this point to talk about the proposed shift in responsibility for planning administration from the province to the municipalities.

Some criticism has been levelled at the province for this proposal, suggesting we are buck-passing; that we are trying to transfer the blame for delays in the planning process from ourselves to municipalities. In point of fact, not only did the province speed up the approvals process, but we are also responding to their requests—requests which have been made by municipalities throughout this province—to allow those municipalities with the necessary capabilities to handle more functions on their own.

On the other hand, some municipalities feel we haven't gone far enough. It is apparent a number are disappointed that we have not provided for the complete delegation of provincial authority to local municipalities other than cities, counties and regional municipalities. We think there is logic in the proposal we have made, in that it is a reasonable extension of the delegation already provided for up to now.

The province, I am sure we agree, has the responsibility to ensure that change does not occur in such a dramatic fashion as to throw the whole planning process in Ontario into chaos. Delegation of responsibility will occur only when the province is sure municipalities are ready and willing to take it on.

The province is not going to force delegation on any municipality. You must keep in mind that transfer of power is a voluntary exercise, and the initiative for requesting that transfer rests with the municipal officials. In

other words, summing it up very quickly, it will therefore be business as usual until we have heard from the municipalities.

I might just add that in the five months of discussions there have been very great mixed reactions as to whether we should turn any more authority over to municipalities. Some, who were arguing in an opposite direction to which they were arguing five, 10 or 15 years ago, think that more responsibility should be retained at Queen's Park and less at the municipal level.

I have made it abundantly clear to all of those delegations, whether they be municipal, private sector or associations representing various trades or professions in Ontario, that this government set out on a course of action —before I was a member of this House, but a course of action with which I concurred as the chairman of the planning board in the city of Ottawa—to give more and more of the responsibilities, for good planning or otherwise, to the individuals who live with the problems they create, whether good or bad.

Once the act is passed, our concerns with regard to the large municipalities will be mainly to ensure that provincial interests are safeguarded. We also agree that, as far as possible, these interests should be clearly stated. In dealing with the smaller municipalities, however, we think we do have a larger role to play, and you would be right in criticizing us if we did not take that responsibility and continue with it.

Another misconception that appeared evident at some of the public meetings is that our proposals for county planning are a back-door approach to the creation of new regional governments across Ontario.

Our proposals in this regard are based on two principles. First, we are making it easier for those municipalities that want to get together to set up county planning organizations to do so. This does mean that we expect every county to establish a county planning body. Second, we are saying that a county is the most logical municipal body to be a further recipient of delegated authority. To delegate approval powers to every local municipality, I believe, would really create an unmanageable planning system for Ontario.

Tied in with the county planning proposal is the whole question of how, in the future, the municipalities organize themselves to plan; the question of the future use of joint planning bodies is also of great interest to us in some areas.

Once again, I would like to make it clear that we are very flexible on this matter. We will soon be meeting with individual municipalities and counties and other interested

groups to explain our proposals more fully and to provide advice on the options that will be available. This, in turn, will enable each municipality, including counties, to decide for themselves how to best structure themselves for planning purposes, present and future. In this regard, we recognize the important role that joint planning boards have played in the past and will play in the future in the planning of Ontario.

This brings me to a very special area, which is northern Ontario, and the role that planning boards play up in that part of our province.

We have already begun to react to concerns expressed during our meetings in that area of our province. We realize that there is a special need, in the absence of an upper tier level of government, to safeguard the role of the existing joint planning boards. In this respect we are closely reviewing our proposals to reflect these special circumstances.

Although the white paper proposals on the Ontario Municipal Board have received considerable support, the proposal to eliminate appeals to cabinet has generated some adverse response, particularly the proposal that the Minister of Housing will make the final decision on matters designated as being of provincial interest.

It is not a power that I, as minister of the day, view lightly. I can say honestly that I do not relish the thought of exercising it. But I clearly anticipate that the minister, whoever it might be, when called upon to make such a decision, in almost every instance would do so only after consulting with his cabinet colleagues if only because many such issues designated as being of provincial concern will cross the lines and policies of a number of other ministries in Ontario and necessitate thorough discussions with those ministries.

I would like to deal with one other matter which has caused me concern since the white paper was published. Some have said that we are rushing this proposed legislation through without provision for adequate time for comment and review. May I add that this has been under discussion for only five or six years now?

What we will discuss in the weeks ahead is a draft of the proposed legislation. Be assured everyone will have sufficient time to provide us with comments on both of these documents—the white paper and the draft legislation—before the government takes final action.

To make this final consultation more effective we are planning, with the aid and support of the Municipal Liaison Committee, to run a number of additional workshops to

further explain our proposals and their implications for Ontario.

The future implementation of the white paper proposals will obviously, and rightly so, require us to continue a close liaison with all municipalities. This will mean, for example, that many of the proposed regulations dealing with procedures, particularly those related to application fees and development standards, will be discussed with the Municipal Liaison Committee before they become operational.

The white paper and the draft legislation are by no means—and I want to underline this remark—chiselled in stone. Changes are being made and will be made as long as they are based on clear, solid reasoning. However, we have taken a reasonably firm position in the white paper, finally, to bring the whole exercise to a successful conclusion.

As well, I think it is important to remember that the present act has been operating for over 30 years. During this time, many of the original provisions have been amended and new ones added to take into account changing times and circumstances. This process simply demonstrates that legislation must change to compensate for changes elsewhere. Therefore, it cannot be expected that a new act can be made to work perfectly the day it comes into force. It, too, will need adjustments in the future.

I had originally asked for responses on the white paper from municipalities, and other organizations for that matter, by the end of current month. Because of the previous remarks I made that some felt we were rushing the process and because some municipalities felt they didn't have adequate time to review both the legislation and the white paper, and since some of them wished to seek outside advice professionally, the date of response to the minister will be the end of March 1980.

If the members of this committee, or indeed the members of the Legislature, want further presentations on the white paper and the legislation, there is a team within the Ministry of Housing that will be available to present it to them, as we will be doing, as I said earlier, to local councils, professional organizations and other groups that have a concern and a continuing interest not only in what the legislation does, but also in how they must work with it in the future.

I have completed my opening remarks. I believe I have touched on most of the principal portions of the Ministry of Housing. If I have missed any, it was more by oversight than by deliberate intention. I will await the opportunity of reviewing with the members

of the committee the various votes under the Ministry of Housing budget.

**Mr. Hall:** Mr. Chairman, at the beginning of the meeting this morning, I asked for a copy of the minister's statement. He declined to give it to me. I referred him to rule 26(b) of the Standing Orders which says that ministers' statements should be given to the opposition beforehand. I think we would have been more correct if we had left the meeting. Out of courtesy we have stayed here.

I wish to point out that, possibly unintentionally, the minister has not offered us, in my view, proper courtesy. Not only that, I wish to point out that by withholding the statement the minister handicaps the opposition in its responsibilities by lacking the opportunity to make proper notes and to underline the thrust of the ministerial policies.

I would hope that this disregard for the rules wouldn't occur again, and I wonder what the minister's response is to my point of privilege.

[11:30]

**Mr. Chairman:** I wonder if I, as chairman, might respond to the point of privilege: The rules are fairly clear on this, and your point was made, Mr. Hall, about 10:10 a.m. At that time, the minister indicated he would provide the members of the committee with a copy of his remarks at the conclusion of his statements.

Now, with the benefit of hindsight, had you pursued it further at 10:10, since copies clearly were available, I am sure we could have had concurrence that we would have had them distributed then.

The rule that Mr. Hall referred to, 26(b) and (c), is quite clear, "Two copies of each ministerial statement shall be delivered to opposition party leaders, or their representatives, at or before the time of statements made in the House", and those rules apply also to the committee. I think it is obviously too late now. We do have the copy in front of us. Perhaps we can take it as notice and see that subsequent ministerial statements of that duration made in this committee would be delivered beforehand. Is that all right?

**Mr. Hall:** I would like to hear the minister's response.

**Hon. Mr. Bennett:** I must admit, Mr. Chairman, that if rule 26(b) and (c) had been brought to my attention, obviously we would have distributed it. It was not. I made the statement and it wasn't challenged; so I gathered it stood to be in order.

**Mr. Hall:** Surely it wasn't a ploy, was it, Mr. Minister? You know this is the case in

the House, and this highly paid chairman should also know that.

**Hon. Mr. Bennett:** I am glad you didn't say "overpaid," but highly paid is correct.

**Mr. Chairman:** I am a master of the rules. I think that, with respect, you, as a private member of the committee, have not only the right but also the responsibility to raise these things clearly and firmly. At 10:10, when you had the opportunity in the face of the minister's response that it would be made available at the end, your silence appeared to the chairman to be support.

**Mr. Ashe:** Since I am not an expert on the rules of procedure in the House, being kept busier with more mundane items, would you please draw to my attention the paragraph or rule that says the same rules that apply in the House apply in committee?

**Mr. Chairman:** I don't have that, but that is certainly my understanding throughout.

**Clerk of the Committee:** It is in the Standing Orders that the same rules would apply in the House as in committee, but it is a little bit ambiguous, because it says:

"Statements may be made by ministers relating to government policy, ministry action and other similar matters of which the House should be informed."

"Two copies of the ministerial statement shall be delivered to the opposition party leaders, or their representatives, at or before the time the statement is made . . ."

Then 26(c) says:

"After any policy statement the minister shall table a compendium of background information."

It is a little ambiguous.

**Mr. Ashe:** I don't dispute that. I think that is fairly common knowledge. I am just looking for the reference that says the same rules apply in committee.

**Mr. Chairman:** If it isn't written down in the book, it is certainly my understanding.

**Mr. Hodgson:** Is that your understanding?

**Mr. Hodgson:** Yes. It has always been my understanding the same rules apply in committee as in the House.

**Mr. Chairman:** The issue is clear, and I think the point is well made. It is just the timing that makes it a little difficult.

**Mr. Hodgson:** It is sometimes abused in committee, though, because in my experience, if it were in the House a lot of people would be ruled out of order; but to my knowledge not very many people are ever ruled out of order in committee. It is more freewheeling.

**Mr. Hall:** By the same token, it is not often it is denied in committee.

**Mr. Hodgson:** Since the opposition hasn't had the minister's statement, maybe it would be an advantage to the opposition if we were to adjourn now to give them a chance to look over the statement before either of the opposition critics replies.

**Mr. Chairman:** Mr. Hall?

**Mr. Hall:** Under the earlier agreement, the critic for the New Democratic Party is the next to reply. I would leave that up to him.

**Mr. Dukszta:** I have listened very attentively to what Mr. Bennett was saying. Like Mr. Hall, I regret I didn't have a copy of the minister's statement, but I did listen to what he said. He hasn't exactly surprised me with his ideological trend or what he proposes to do; nor was there obfuscation of the releases in housing. I am prepared myself to go on.

**Mr. Chairman:** Does the committee agree?

**Mr. Dukszta:** One of the things that struck me about what the minister was saying was that he opened up his remarks by stating what he considers the scope of his action as a minister and his ministry. Indeed, I want to go over at first exactly what I think is the scope of Ministry of Housing responsibility and then to continue with some partial analysis of the aspects of his actions which have affected the housing field, both housing as a social need and housing as a sector of the economy, and to leave the other questions to others during the estimates as they pertain to Ontario housing.

I will start by saying that there are two aspects to the function of the Ministry of Housing; they are housing as a social need and housing as an important economic sector. Health and education are the social services to which now even Conservatives pay at least lip-service in that they are considered to be social services. The last two Health Ministers, Mr. Miller and Mr. Timbrell, at least when they paid lip-service to health as a social service, they made sure the health sector was safe at least for investment if nothing else.

In terms of housing it has always been a long debate as to whether it is a social service or a social need, an economic activity or an investment opportunity or a hedge against inflation, et cetera. In effect, I repeat that it is both; it involves a social service and an important economic activity.

Just to bring some supporting evidence of why I consider that housing is both, in terms of housing as a social need, the need for shelter is important—maybe more important than the need for food or health or in terms of teaching the future generations, which is

education, the skills they must have in terms of living in this society.

The satisfaction of those needs, whether they are health or housing, cannot simply be left to the grace and favour or caprice of the rule whether it is feudal or capitalist. It is in effect the responsibility of a community, and that community as represented by an elected government. It is important.

I want to repeat that the definition of those needs, and the allocation of the resources and control of the system which is devised to provide the satisfaction of those needs, must be always in the public domain under the control of the community and for the benefit of the majority of the community instead of enabling only a few individuals to accumulate capital and income at a cost to others.

That is my first statement, that in effect we cannot leave responsibility for satisfaction of provision for housing needs to the private sector, because good and affordable housing is a basic social need and in our democratic society must be as much a right as a right to health, education, food and clothing. Yet the very nature of the social need for housing cannot be divorced from the economic aspect.

Decisions taken on housing policy and problems are economic decisions quite often, involving both capital investment funds and employing people, and as such cannot be divorced from the general economic reality of Ontario and Canada at large. The housing industry in its broadest sense also includes the existing stock of housing and is an integral part of our economy and, as I mentioned, cannot be divorced. It is a very significant part of controlling employment and unemployment in our society.

Although the minister has stated repeatedly that his attitude is different towards the interventionist approach of the government in housing, it has not been accepted by many other people in all jurisdictions including the United States of America, which is a model for many people in your government. The US Department of Housing and Urban Development in a report called *Housing in the Seventies*, which is a report of the National Housing Policy Review, concludes boldly—as boldly as only pragmatic Americans can be—that "there is not a single significant aspect of this vast, diverse and complex housing market that is not affected by government action in one form or another. There is indeed an explicit recognition that housing needs can only be satisfied by a housing market controlled, for better or worse, by governmental action."

Because of this twofold nature, social and economic, the field of housing is extremely

complex and a number of variables have to be taken into account when one is proposing a policy or taking a decision that affects the provision of housing the way you have done it.

I want to summarize exactly what I and my party believe should be the full scope of the Ministry of Housing. It is nicely summarized by J. B. Collingworth in his essays on housing policy. He is at the moment a professor of urban and regional planning at the University of Toronto, and he discusses the parameters of the housing problem, especially as it applies to scope and possibility of action by a Minister of Housing.

He mentions that any approach towards housing involves a consideration of economic issues, of what the nation or the province can afford; of standards, personal incomes and subsidies; of what individuals can afford; of the state of the construction and building materials industries; of what is physically possible—which is very important since we in this province, are now in the midst of a recession in the construction industry—of mortgage financing; of the financial state of the local authorities, which means what really can be financed; of the capacities of the bureaucracies of local and central government, what is administratively feasible; of land availability; and of water, sewage and other services, or what is practicable in terms of land supply, et cetera, et cetera, as he puts it.

Then there is also the question of estimating needs; of determining consumer requirements in terms of space, design, location and, above all, just in terms of what the consumers or our voters need in terms of shelter; of striking the right balance between new buildings to increase the stock or development and rehabilitation; of determining the total investment in housing in relation to investment in other environmental services.

Such questions, he says, lead to even wider issues such as the relationship between housing finance and policies for income, income redistribution, income maintenance and tax relief; the relation between housing policies and planning policies for the control of urban growth; the safeguarding of agricultural land and the promotion or restriction of employment growth; the relation between policies for house building and house allocation; and policies for promoting domiciliary health care in contrast to institutional care—which later will bring me back to the section under the Planning Act.

Changing economic, social and political circumstances have a major impact on the

creation, recognition and definition of problems. Rampant inflation may destroy the basis of carefully laid plans for the reform of housing finance and lead to counter-inflation policies which may hold down incomes and housing costs but at the same time increase subsidies to a level which may be truly unmanageable.

Soaring land prices may present problems which are politically insoluble. Action in relation to deprived areas leads to a system of deprivation and to the extent to which housing policies are relevant.

All those questions which he brings are relevant to discussion of the scope of a ministry like the Ministry of Housing in Ontario. In each action that he takes as a minister he affects a number of aspects of our function in Ontario. All those problems are really shared, not only by him as a minister but by also almost all of the other ministries. It is important to determine how far he has failed in taking into account those aspects and how far his policies whether they represent his ideas or those of the government, have led to major problems both in the provision of housing for those who need it and in effecting control of that important sector of economy which is housing.

What is also important, the foremost among those questions, is the question of the amount of resources devoted to housing. This is a fundamental political question to which discussion on housing policy will be directed. It cannot be fully answered solely by reference to housing matters. On the contrary, the question could be more helpfully reformulated in terms of relative priority of resource allocation to housing as compared to other areas.

[11:45]

Again, to simplify this question, one can allocate resources if one defines a particular need which lower-income people have for housing; but it is also important to remember that by allocating this we are doing something for the whole community at large, either negatively or positively, in terms of the increasing activity of the economic sector and provision of further employment or reduction of existing unemployment as it exists in Ontario at the moment.

Allowing for many of those factors which I mentioned, there are really two important factors on which the minister can be judged. They are his performance as a man largely in charge of providing houses for those who cannot afford decent, affordable housing, and the minister's responsibility as a man who is

in charge of a very important sector of the economy in Ontario.

It is striking that although he has given us a very long paper—and some of it was very interesting—and a prolonged discussion in terms of what he considers the future of the housing industry in Ontario, and a very extensive discussion in terms of the Planning Act, he has not really dealt with what I would consider his most significant role in the government. That is, as the Minister of Housing, he is directly or indirectly responsible for probably one quarter of Ontario's economy. Either he does not understand the full extent of his job or he defines his job in such a fashion that this does not come into his consideration.

I'll give some interesting figures of what housing really means in terms of the economy; then, if he accepts that this is such an extensive part of the Ontario economy, his role as the Minister of Housing is not only to provide housing but also, above all, to be able to affect the economy of Ontario by his actions.

It's clearly understood by almost everyone at the moment—and any authority can tell us that we are in a downward trend in the Ontario economy, moving toward a very serious recession. The construction industry is a very important part of Canada's and Ontario's economy in terms of employment, output and wages, and as a consumer of manufactured goods. It bears a basic relation to all other industries, accounting for some 25 to 30 per cent of capital investment in the manufacturing sector and approximately 60 per cent of all capital investment in Canada. The total value of construction activity in 1976, for example, amounted to more than \$31 billion. By a reliable estimate, this figure will exceed \$80 billion by 1985, which is a very significant level. The industry employs well over 700,000 workers in all of Canada, or some seven per cent of the total labour force, and construction accounts for 60 per cent of the total investment in fixed assets in the economy.

I have had some contact with the Building Trades Council of Metropolitan Toronto. I have figures for the corridor area north to Lake Simcoe; I do not have full Ontario figures, but this is a very significant percentage of the Ontario-wide construction industry, where it's really centred. The Building Trades Council has reported that there was 34 per cent construction unemployment in that area in March 1979, as compared to 32 per cent unemployment in the construction industry in that area in March 1978.

They point out that it is very difficult to get fully reliable data because of the people who are not unionized. We have to take into

account a number of related industries. Nevertheless, they applied the same statistics in 1978 and in 1979, and they suggest very strongly that we are not decreasing unemployment in the construction industry, but in fact we are increasing it, if only by two per cent.

I was looking through the figures for unemployment in Ontario construction, and some of my own calculations show that in September 1978 there were 262,000 people in the labour force and 238,000 were employed, but in September 1979 there were 229,000 people in the labour force and 186,000 people were employed. This suggests a much higher increase in unemployment than the Building Trades Council of Metropolitan Toronto has suggested. It is something from 10 per cent to 20 per cent. Those figures would have to be checked, but nevertheless they suggest that the construction industry is still continuing in the major problem that it had before.

To go to a more general statement about unemployment, there was an article in the Toronto Star of October 27, 1979, headlined "Home Builders Fear Layoffs of 50,000 People." I will quote two small paragraphs: "Canada's home-building industry, already facing 17 per cent unemployment, may be forced to lay off as many as 50,000 more workers if today's record high mortgage rates persist through 1980," says John Sanduski, president of Sudbury Homes Limited."

"The housing starts in Canada," says the same article, "declined to about 195,000 this year compared with 227,000 in 1978. Although builders expected an improvement in starts—to 214,000 for 1980—too-high mortgage rates are forcing them to make new estimates."

So the problem in effect continues. As to the line of action that the ministry can take, whether it's a question of what is done about selling land, affecting land prices, land planning, policies for price and incomes which are part of the government's approach, the amount of tax relief for mortgage interest payments, option mortgage subsidies, public sector borrowing, public housing starts, rent rebates, rent allowance—all this affects the state of the economy at the moment of Ontario.

By some of the actions that I will specify later, the ones that the ministry is taking, it is in effect contributing significantly to increased unemployment in Ontario. Not only does the ministry increase unemployment in Ontario but also it contributes to whether or not affordable housing is available in Ontario.

The minister's own statements keep on saying that we have now solved this or that. I find if so cheering that he has solved all the problems of available and affordable housing. He must be one person in the whole of Ontario who believes totally that all the housing needs have been satisfied and the housing availability problem has been solved completely. If this is true, he has become an absolute genius in the last 10 minutes in which I heard him speak.

I would like to add one other thing—and I like quoting from people who have at been least partially involved, like Mr. Peter Allan, the chairman of the Peel region housing task force. He said some time ago, and those things have not changed, "that financial considerations are clearly a key concern, but the more important concern of the government must be to accept responsibility to ensure the provision of adequate shelter for people of all incomes and household types."

I suppose there are two ways of looking at it. The responsibility of a minister must be put in a parameter of intervention or non-intervention. It is clear that if he believes it is his responsibility on those two aspects I mentioned—both for the provision of housing plus as an overlord of a very important economic sector—he must, if he is an interventionist, build more subsidized housing; he must support and encourage small and even large owner occupation; he must protect tenants; and he must protect and maintain existing housing stocks. Then he must stimulate the economic situation and increase employment by allowing, in effect, some financial inducement to start further housing construction. Above all, of course, he has to control the market to remove excessive markup.

I was struck by your statement that the Land Speculation Act and the Land Transfer Act are no longer operating, and that you consider this a great achievement. This suggests that you have not taken into account that the biggest markup that exists in the cost of houses is attributed to developer profits.

The Peel report of some time ago suggested that maybe as much as 22.3 per cent of the total value is attributable to developer profits. That has not changed. Your two acts did not control that. By removing them, the situation, which has persisted in Ontario for some time, is still existent. If you allow for the profit and the speculation, almost 30 per cent of the average price of a house goes towards producing profit which has to be extracted from the person who is buying the house and who needs the house. That makes

it very difficult for the average person of low or moderate income ever to own a house.

Your approach has been noninterventionist. You have stated this yourself; it is not something I have gleaned from your speech. You take a certain pride in saying that you are a noninterventionist. You define your role as a minister as being noninterventionist in housing. At best, you are a catalyst—I think you use that word—but you are a definite noninterventionist. But your actions have been more than those of just being a catalyst of the benevolent and somewhat distant deity which supervises housing. You have been actively hostile to certain sectors of Ontario society.

I will deal in some detail with your approach to the Ontario Housing Corporation. That is where you show most of all that you are basically against public housing and in effect against provision of housing for people who need it.

You are against almost any government subsidy or intervention even to assist the small owners. Your lack of action on mortgages, and your lack of action to provide more money for the Ontario Home Renewal Program to help preserve the old, but usable, housing stock, suggest that you are not merely a distant person about this. You say the market must play on its own, but you have now actively moved towards what I consider hostile actions in terms of your responsibility for providing housing for people who need it.

**Mr. Vice-Chairman:** I remind the minister that the honourable member didn't interject when you were reading your statement and, if there are some points that you think are worthy of refuting, why, you have somebody there to take notes.

**Mr. Dukszta:** Yes, there are a lot of people here to take notes.

Your twofold hostile approach will have an enormous effect on the provision of housing, on the price of housing and on how people ultimately live. It will lead to further pressure on a very significant section of Ontario's population, further pressure on and reduction of activity in the building industry, and hence further unemployment. Many of your actions or your inactions together will undoubtedly lead to a further decrease in the construction industry.

It is not rent control or acts like that which will decrease employment in Ontario, but direct governmental actions, such as providing financial support to the small owners, starting new houses for OHC, or offering properly subsidized public housing. All this

is significantly increasing unemployment in Ontario.

[12:00]

Your ministry has a very significant role to play and is responsible for a very significant sector of Ontario's economy. So any action you take in terms of diminishing housing starts will significantly diminish the general economic activity of Ontario.

OHC mortgages are a good example of some of your actions. In a few months the Ontario Mortgage Corporation will face an increase in its mortgage rates from the present 8.75 per cent to a level of around 14.75 per cent. My leader, Mr. Cassidy, asked you this question but you have not answered in any responsible fashion or assumed any responsibility for the people who are now in this situation. It is essential that you undertake to have the mortgage corporation provide housing finance at a reasonable cost to Ontario home buyers with modest income.

If you say this is government action, then it's your responsibility as a minister to move within the cabinet to make sure that the government does that. In your answer, you simply say there are a number of mortgages held by the Ontario Mortgage Corporation that will come up for renewal in the next number of months. You say a large number are scattered throughout the areas surrounding Metropolitan Toronto. You simply wash your hands of them. You say this is not your responsibility. That may be considered very small by you and quite unimportant, but it does affect a significant number of people. It also says something about your approach towards housing generally.

Even if we deal with the way the last federal government removed itself from the mortgage business, as it did by the demise of the Assisted Home Ownership Program, nevertheless it is your responsibility, as a minister here, because housing is predominantly a provincial responsibility, not only to continue with your own action but, if necessary, to pick up with the mortgage rate interest subsidies on a more generous scale. This is a major weapon to stimulating building activity, but above all it allows people of low and moderate incomes to buy their own houses. I agree that what the AHOP demise has done may not be fully your responsibility, but nevertheless those mortgages are all renewable five or 10 years later and will produce as much of a problem as your own actions for the people who hold them.

On land disposal: I asked you specifically on June 29, how much land you were selling and what you were going to do regarding

the disposal of land which the government and the OHC own. What I would like is a more specific answer to the question, but let me leave it with you. You can answer it when you are answering my remarks. Exactly what do you intend to do to dispose of the land? How much of it has already been disposed of and, since I cannot persuade you not to sell it but to hold it will you commit yourself at least to guarantee that the land be held for a nonprofit development to ensure that the full value of that land is realized for affordable assisted housing and not for the quick gain of some developer?

Maybe someone can write that question so you can try to answer it.

I do not believe there is a long-term gain in the province's selling off pieces of property. You may argue that the quick sale to the private developer will result in a tidy profit for the province, but when the developer goes ahead and builds housing units not affordable by low-income citizens and when the province has to then fork out some—if that's what you're going towards—private rent supplements ad infinitum, the public purse will be emptied again very quickly of that which you thought was a quick profit made by selling it before.

The policy itself is totally misconceived and quite wrong.

I was originally going to ask some questions on the report called Assisted Housing in Metropolitan Toronto: Options for the Future. It came out on September 27, 1979. I realize that in some sense you have answered them, because what you have stated about what you consider your approach to housing fits quite well with what they have said. As a result, this makes me think that this was mostly written in the ministry and not written by Metro.

There is mention on and off that there was some disagreement between your officials and their officials, but you have repeated virtually verbatim some of the things stated in this report, which makes me think this is already a policy, while at the moment it's only supposed to have been all in discussion. Either you have suggested that this is a policy to them or you have simply adopted it.

Some parts of the report are completely unacceptable, because they involve a possibility of the devolution of the Ontario Housing Corporation and the withdrawal of the government from the provision of basic subsidized housing to a significant sector of Ontario. On that point, if this is where you're going, then this cannot be acceptable at least to this party and maybe to the other one. It

would significantly affect an enormous number of people in Ontario.

On page four the report states—and I think this is very close to what you're saying—"Given a stable or declining population within Metro, it is difficult to believe that there is a pressing need for the construction of new units for persons of low income."

They say, "Let's look at the facts," which you also have listed. The supply of low-income units in Metro for both families and seniors far exceeds on a per household basis the supply in other parts of Ontario. Waiting lists for OHC and Metropolitan Toronto Housing Corporation projects are not increasing. Analysis of the need for low-income senior projects suggests we're now producing in excess of real demand. There are vacancies in the system and production by nonprofit corporations may be sufficient to meet needs in the immediate future."

That's all nonsense, actually. Let me just go over some of this stuff where you have said this. If that is the conceptual framework of your action, of devolving OHC or withdrawing from it, then it's factually incorrect.

You have also stated—and this is what worries me—that, in October 1979, whatever decisions are arrived at with respect to non-profit housing in Metro Toronto will be applicable across the province. That's why I consider it necessary to consider the Metro Toronto situation in detail; it's the model for the rest of the province, so you say.

That's most important. Where Metro and the province seem to agree is on the need to limit the number of subsidy dollars each of them kicks in each year, partially by playing games with the number of people in need to demonstrate that the current supply of subsidized housing is adequate to meet a stabilized and in fact declining demand.

The per household supply of subsidized units in Metro exceeds the supply elsewhere in Ontario. Therefore, one should assume Metro is adequately served in Ontario. Such an argument ignores the fact that the majority of assisted housing outside Metro is for seniors, whereas within Metro the majority portion is for families. There are approximately 23,000 family units and 22,000 seniors' units in Metro. If you assume that a uniform ratio must be applied across the province regardless of need, then Metro provides too little assisted housing for seniors or the province provides too little assisted housing for families outside Toronto.

This uniform ratio assumption implies that the present ratio of assisted units to market-rent units meets the need adequately. Metro

Toronto has not acted on its mandate to produce family housing. To date, only one Metro family project, a 128-unit development in Etobicoke, has proceeded to construction.

The fact that the waiting lists for OHC and MTHC projects have not increased is used by you as a basis for assuming supply is meeting demand according to Metro staff and according to you, as you said. Nowhere does anyone discuss the kind of families that I encounter all the time who despair of applying for assisted housing because of the well-known length of time the typical applicant spends on a waiting list.

There's no need to tell you the personal remarks that most of the MPPs, especially the ones who represent the Metro areas, run across. Once a week, on a regular basis, people will call an MPP to say they need subsidized housing. Most of the time, people who do not bother to apply are discouraged at first from applying. That's an artificial means of manipulating the actual need by simply not accepting some people on the list. It's very easy to do it. It's an old administrative fiat that you can manipulate statistics to prove there is no further need.

What about those who, in their efforts to survive until they can be placed in subsidized housing, must move frequently to try to find marginally better or cheaper accommodation and suddenly find they have been dropped from OHC waiting lists? What about the ever more complex set of criteria that determine one's eligibility to get on a waiting list in the first place—age, disability, poverty, eviction, residency in a municipality—criteria that are becoming increasingly more stringent and exclusive because the number of units remain fixed while the number of working people in need of affordable housing increases?

In the face of a vacancy rate of less than one per cent in Metro Toronto, in the face of mortgage interest rates that have raised the price of a new home by 30 per cent in four months, in the face of consumer loan interest rates and government cutbacks like OHAP that enable low- and moderate-income earners to maintain their present homes, fewer and fewer people will be subsidized because of the spending limits put on assisted building. Therefore, you must design increasingly elaborate criteria for eligibility so that you can convince yourselves and us that you are meeting the needs of the people of Ontario while in fact you exclude from your definition of need all except those in the most dire circumstances. That surely is a fact

which not even you, the most ideological of all people, can ignore.

Because there are some vacancies in public housing in Metro, and they must often be shown to several people before being allocated, you have to keep some vacancies in the OHC. Metro staff continues the argument, and you do, that supply is meeting demand.

In the all-senior housing there are currently 200 vacancies in a stock of 13,000 units, or a 1.5 per cent vacancy rate. This vacancy rate closely monitors the vacancy rate in private rental accommodation and is hardly a cause for suggesting that supply exceeds demand. You know yourself that they have to keep certain things open to allow for viewing and other factors. It's simply not true that this means there's no one applying for it.

Nowhere in this report—and if this is going to be your report, then it has to be discussed here—do they discuss the kind of families that I encounter all the time, who have despaired of ever applying. In addition, the MTHC vacancies are in Scarborough and northwest Toronto. Recent studies confirm that seniors prefer to remain—you have said this yourself—in their own neighbourhood. Who can blame them for refusing to relocate in neighbourhoods that presume one is physically mobile and has a car to get to shopping, recreational, social service and health-care facilities?

Only yesterday I had a case of a Polish woman who has moved towards Scarborough. Indeed, it's quite true she was given an apartment in OHC, but she has always lived in Parkdale, where her social activities, her friends, her family and her church are. She could not get a place in the High Park or Parkdale area; so she had to accept moving a fair distance away. Now she is only on pension; so she cannot afford to travel easily and regularly to the places where her whole life is.

[12:15]

The minister has said in his extensive report that this is what he had hoped, that people should live where they have had most of their life and that the provision of housing should be there. But if it isn't there, they have to accept whatever is available; and sometimes people refuse to accept what's there if it means a journey of an hour and a half a day to what makes their life reasonable.

Finally, the Metro staff, in this, argue that production by other nonprofit developers may be sufficient to meet future needs. The city

of Toronto housing department provides some interesting data on how reasonable an expectation that might be. In their February 1979 report entitled No Vacancy, they project the low-income allocation units—that is, the rent-supplemented units—both new and acquired, city and private nonprofit—as 525 in 1979 and 540 in 1980.

I don't find those figures exactly encouraging in the face of waiting list figures for such accommodation in subsidized housing. I understand, and you must provide me with some data later on, that for OHC the figure is now over 3,000. Maybe you people can find out for me exactly what kind of people are on the waiting list.

There is no hope in store for subsidies in the private rental market. Even with the fairly generous Assisted Rental Program subsidies in 1977, only small units in high-rise buildings were produced—units that were not suitable for families with children. Now you say that one in five in Toronto—

Hon. Mr. Bennett: In Ontario.

Mr. Dukszta: —in Ontario now are occupied by single inhabitants. Those are very interesting figures. But it does not change the problem for the people who still have families. They are not all moving to what has been atomized into bachelorettes in Parkdale forever. We still assume the family is something which will continue in our province, and we cannot possibly provide only housing for single people—even if you consider a bachelorette in my area, over small and over expensive, as an ideal form of housing for single people, I do not. That is, of course, another problem which if one had time one would have to deal with in terms of your responsibility in moving and supporting this type of endeavour—supporting it in that sense by not changing either the Planning Act or subsidizing bigger and better housing for either families or the individuals. The ministry has a responsibility, and you do, but you allow the creation of a series of conversions which end up as small little tiny units that are stuffed full of people who then have inadequate housing.

The private sector and supplements are not the answer. The average monthly rent supplement for 1979 is estimated to be \$173 per unit. What I really would like to discuss with the minister is one aspect of the minister's policy, which is mentioned on page five of the Metro report, that some form of shelter allowance has been used successfully in other jurisdictions. The reason to discuss this is that this concept of a shelter allowance as a solution to the housing problems has cropped up not only in this document, not only in what

the minister said, but also in the discussions during the hearings on the rent control act. It has cropped up as a means of providing a financial support for a target population and making sure the government withdrew generally from housing.

It is probably the most poisonous welfarism in existence, because it consciously isolates a specific segment of people who are below the poverty line, and it does not deal with the fact that maybe as much as 40 per cent of the people of Ontario are in need of some kind of a subsidy in terms of housing.

In the fall 1979 issue of Public Interest, there was an article I wanted to quote to the minister which deals with that aspect. It is an article entitled "An End to Rental Housing," by Roger Starr. He makes the interesting point that assistance to private landlords to reduce rents for low-income people is very expensive in the long run. This private rent supplement, which now averages \$7,000 per family per year—I'm talking about New York—and about \$5,500 per year in Boston over the term of a 40-year mortgage in present dollars totals \$280,000 per family in New York and \$220,000 in Boston.

While Toronto's housing is not yet as expensive as New York's, what this clearly demonstrates is that the handouts to private landlords are expensive. There is no cost control whatsoever, and with speculation, exorbitant financing costs, excessive rent increases and a growth in the demand for assisted housing as real income declines—as more people get relatively poorer, and the poor get even poorer—the cost of private rent supplements will skyrocket, or else the government just won't meet the need.

The only response to that is that you do not move. I said this during the hearings on the Residential Tenancies Act when we were discussing it here in the House last time. You cannot move towards simply defining a target population and give them a shelter allowance, because the problem is much bigger than that. Ultimately, it will cost the government more money to take this approach, and it will remove the remaining controls on the

housing market and put much more money into the hands of private developers and prominent owners. Not only is this wrong ideologically—which has nothing to do with it—but it is also wrong conceptually to approach it from the point of view of shelter allowance instead of making a necessary government intervention towards subsidizing houses for a significant number of people.

Some of the other questions I want to ask I will ask later. I want to summarize by saying that as a Minister of Housing you have failed in those key aspects of your functioning—the provision of housing as a social need and to significantly intervene in your sector of Ontario's economy, the housing industry and housing generally. You have done nothing about the impact of increasing interest rates on OHC mortgages or AHOP mortgages, not to mention the speculative gains on the present real estate markets, or the loss of jobs this coming winter in the building industry.

Are you going to sell off the public wealth of Ontario in land banks and in publicly owned assisted housing? I hope not, but that's what you seem to be proposing—in spite of knowing that maybe as much as 73.6 per cent of all Ontario families make less than \$25,000 annually, which means they will never have a hope of even owning their home and will be forever subject to the vagaries of private rental accommodation, for which they indeed must pay an ever-increasing part of their income.

People in need of affordable housing—a growing population of seniors, families with children, and disadvantaged single adults—can expect very little in the future from this so-called Ministry of Housing and the Minister of Housing.

**Mr. Vice-Chairman:** Thank you very much. I think this would be a good time to adjourn, until two o'clock this afternoon, when the Liberals will be presenting their views.

We are adjourned until two o'clock this afternoon.

The committee recessed at 12:25 p.m.

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No. G-5

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**

Estimates, Ministry of Housing



**Third Session, 31st Parliament**

Wednesday, November 7, 1979

Afternoon Sitting

**Speaker: Honourable John E. Stokes**

**Clerk: Roderick Lewis, QC**

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 7, 1979

The committee resumed at 2:11 p.m. in room 228.

**ESTIMATES, MINISTRY OF  
HOUSING**

(continued)

**Mr. Acting Chairman:** All parties are represented, and we will get under way. I believe that the New Democratic Party were finished. I will turn it over to Bernie Newman.

**Mr. B. Newman:** I'm speaking on behalf of our critic, Herb Epp, who apparently has been delayed in his arrival here. We hope that before I can complete my remarks he will be able to be present and make his submission, as he had originally planned.

In the opening remarks I'd like to focus on two areas for which the Ministry of Housing has full responsibility. The first is the promotion of affordable housing—housing that people can afford to live in. The second is the planning of the Ministry of Housing.

In the first issue, the promotion of affordable housing, helping municipalities to provide assistance to housing comes to the fore. In looking at the future of the supply of adequate, affordable housing in Ontario, one is immediately struck by two major events. The first is the energy crunch. The second is the drastic hike in interest rates—rates many of us never thought we would ever reach; they are beyond all comprehension.

Combined with the elimination of various federal and provincial programs, the startling increases in mortgage rates to well over 14 per cent means that the housing market in Ontario is in real trouble. When I look back at the mortgage on my own home, the rate was six per cent. At that time I thought it was much too high. How lucky I was to be able to buy a home back in 1960, one year before the market bottomed, in the city of Windsor.

By the end of August, before the latest round of interest hikes, the number of residential units under construction in Ontario was down 25 per cent from the previous year. Starts were down 28 per cent for the seven-month period ended in August.

The successors to the Assisted Rental Program and the Assisted Home Ownership

Program have not been nearly as successful in promoting private development. Federally sponsored rental starts under the private graduated payment mortgage (GPM) program were down by 4,304 units in Ontario by June of this year. That's 60 per cent, and that confirms the minister's concern. You will note on page three of his notes: "We believe that the replacement program, graduated payment mortgages (GPM), at least for some centres in Ontario, may not provide enough assistance to produce units which can be made available at market rents."

[2:15]

The number of strictly private starts has increased, but not nearly enough to take up the slack caused by the falloff in the production of National Housing Act assisted and insured units. Private production under way is dominated by luxury condominium construction.

The Minister of Housing is to be applauded for his earlier support for the Assisted Rental Program, and the province's accompanying rental construction grant. Now that it is obvious that the Assisted Rental Program (ARP) is not to be reinstated, and that tax incentives for rental construction may not be renewed, how does the minister intend to instil life into a dying rental market and ensure that tenants have the choice of accommodation to which they are entitled? That's extremely important, Mr. Minister.

Cannot the province present more aggressively its needs to the federal government? Indeed, cannot the province institute its own incentive program in keeping with the needs of individual municipalities? For instance, should the province consider some kind of program to subsidize the interest charges portion of rents, above a certain amount, down to 25 per cent of a household's income, so that moderate-income earners can afford to rent?

One can safely predict that the drastic hike in interest rates will have a very negative effect on housing development in this province. At the same time, the energy crunch could depress the sale of suburban homes, as it is doing in the United States, and accentuate the demand for downtown housing developments. The problem is that,

while people will want to live downtown, which will increase the demand for cluster housing developments in the downtowns, the soaring interest rates are sending mortgages up to record highs of 15 per cent, and even higher, and putting monthly payments out of the reach of many middle-income—not low-income—people.

Aside from the effect of this on suburban builders and contractors, it raises some serious questions for potential home buyers and renters. What thought has the minister given to these changes? What are his specific plans for helping people to cope with the situation I've just mentioned?

The administration of the municipal non-profit housing program has been turned over to the province. This move towards simplification and responsiveness is welcome. However, the province has an obligation to make sure that the program works, particularly in view of decreased private activity. This means developing project approval and administrative procedures that the municipalities can live with and it means formulating workable guidelines and advising the federal government accordingly.

A case in point, Mr. Chairman: The Canada Mortgage and Housing Corporation has distributed maximum unit prices which restrict costs of development. This is a valid exercise only if prices are established realistically, and this has not happened. Right now, unless a builder has bought land below current market prices—I repeat, unless a builder has bought land below current market prices—the maximum unit prices are unrealistic for the average individual. What is the minister doing to ensure that CMHC sets and revises these prices in a rational manner? What is the minister doing to encourage municipalities to consider incorporating nonprofit housing companies, other than merely advising them of the availability of the program and presenting them with formidable unfinalized regulations to which they must adhere?

With respect to nonprofit housing generally, why did the Ministry of Housing choose this difficult time to drop its provincial subsidy for nonprofit housing some months ago? The subsidy was a very important factor in promoting nonprofit housing. Perhaps your ministry might consider introducing help for nonprofit housing by means such as subsidizing the initial land purchase. We welcome whatever steps the Minister of Housing may take to improve the health of both the private and assisted housing sectors in Ontario; we believe such steps must be taken, if all

citizens of this province are to be guaranteed decent and affordable places in which to live.

The second area I want to deal with concerns the white paper which the government released on May 31, 1979, proposing substantial changes to the Planning Act. I want to outline some of the concerns I have regarding the proposed changes.

I must say at the outset that the business of amending the Planning Act seems to be like trying to reform property taxes endlessly. The process today stretches back to 1973, and the publication by the Ontario Economic Council of Subject to Approval. That was followed by the publication in 1977 of the Comay report, and, finally, by the publication of the white paper earlier this year.

Mr. Chairman, originally we were to see draft legislation by the end of August, but so far we have not seen any. Of course, the deadline for responding to the white paper now has been extended to March 31. Who knows what will happen next April? A sceptical observer might suspect that the government intends to delay major reforms in this area until after the next election. I see you smiling there, Mr. Minister.

Hon. Mr. Bennett: No. I am serious.

Mr. B. Newman: While the recommendations in the white paper would cut red tape for developers, they would have a number of undesirable effects on citizens. If implemented, the proposals would (1) restrict the power of ordinary citizens to influence planning decisions which affect their neighbourhoods, (2) increase the arbitrary power of the provincial government and (3) remove planning decisions from local councils to move remote metropolitan or regional governments.

Mr. Chairman, I shall now deal with each of the three issues separately.

First is the matter of restricting the power of ordinary citizens. Today, a concerned resident can appeal any municipal planning decision to the Ontario Municipal Board. The white paper proposes that no one should be allowed to launch an appeal unless he attends the council meeting dealing with the matter in question and registers with the clerk. What if residents don't receive notice of a proposed planning matter; receive notice but don't understand the implications of the decision; miss a council meeting because of illness; or attend the meeting but forget to register with the clerk? In each case, they would be denied an opportunity for a full hearing before the OMB.

Citizens will be required to go to the trouble and expense of seeking leave to appeal in order to have a land severance application

reviewed by the OMB even though such an application may be of critical importance particularly in rural areas.

The white paper proposes to enact another obstacle in the path of individuals if they reach the OMB. The OMB will be directed to assume that a municipal planning decision is right and that the citizen is wrong. Instead of being able to challenge the evidence presented by the municipality, the citizen would be virtually compelled to hire expensive lawyers and planning consultants simply to present evidence to the board. Even if his evidence were just as convincing as that presented by the municipality, the citizen would still lose. If the proposals are implemented, citizens will also lose the right to appeal decisions of the OMB to cabinet; the OMB, an appointed body, will make the final decision on most planning matters.

However, the Minister of Housing could determine arbitrarily that some matters heard by the OMB were of provincial significance. Then, the OMB would conduct a hearing and make recommendations, but the final decision would be made by the Minister of Housing without further public input.

A similar provision in the Niagara Escarpment Act indicates how this procedure may permit the Minister of Housing to disregard the views of the citizens. Cantrakon Limited applied to the Minister of Housing in 1978 to develop a convention centre near the forks of the Credit River. The minister approved the proposal in spite of the environmental concerns expressed by the Niagara Escarpment Commission, a hearing officer appointed by the minister, and citizens living in the area.

Did you get that, Mr. Minister?

[2:30]

**Hon. Mr. Bennett:** It's a rehash of last year. But go ahead, You're telling me.

**Mr. B. Newman:** But it was true, wasn't it?

**Hon. Mr. Bennett:** No, but go ahead.

**Mr. B. Newman:** Should we read that over maybe?

**Hon. Mr. Bennett:** Sure. I repeat, it is your time; you can read it as many times as you want.

**Mr. B. Newman:** You really don't mean that, do you, Mr. Minister?

**Hon. Mr. Bennett:** Well, Bernie, I thought you would get some practice.

**Mr. B. Newman:** Only intense pressure by the opposition in the Legislature forced the minister to back down.

**Hon. Mr. Bennett:** No.

**Mr. B. Newman:** You did back down, Mr. Minister; so it must have been the pressure

that forced you to. Otherwise it would have sailed right through.

**Hon. Mr. Bennett:** Maybe you would like to explain to me what "backed down" means.

**Mr. B. Newman:** Just what you did there, Mr. Minister.

**Hon. Mr. Bennett:** My decision still stands, Mr. Chairman.

**Mr. B. Newman:** If the proposals in the white paper are adopted, the course of much of the future development in the province will be left to the discretion of a single minister. The white paper refuses to acknowledge the right of residents to participate fully in the planning process through ratepayer groups or other voluntary associations, as recommended by the Comay committee on the Planning Act.

The second point is about increasing the power of the provincial government.

The white paper proposals would increase the power of the provincial government to dictate changes in your neighbourhood. The Minister of Housing would be given the power to require any region, county or local government to incorporate any matter specified by the minister into its official plan or zoning bylaw.

The minister could force a region or a municipality to permit intensive development on grade one farmland, or high-rise apartments in a stable residential area, in spite of the wishes of the local residents.

The former Treasurer intervened in an annexation hearing in Barrie to insist that development be allowed for the population projected for the area by the year 2011 by provincial prediction. The local residents attempted to challenge the validity and desirability of the population figures before the Ontario Municipal Board. The matter is still before the court.

Such challenges to provincial authority by local residents would be restricted, if not permitted, by the implementation of the white paper. The white paper would also permit the Minister of Housing to dictate development standards, such as housing types, density, lot coverage requirements and road widths for a new subdivision anywhere in Ontario.

The provincial government is not now required to seek official plan or zoning amendments for the development of provincial facilities. The provincial government can develop land which it owns, such as the Bay-Wellesley block east of Queen's Park, in a manner which totally disregards the surrounding area.

The white paper does not propose to amend the Planning Act so that provincial office buildings, retail stores and maintenance yards would be covered by normal municipal planning policies.

Instead, it proposes to extend special status for provincial developments by exempting all Ontario Hydro undertakings from municipal planning controls. Ontario Hydro would be perfectly free to locate transmission lines, switching stations, or even a nuclear plant, without being obliged to consider the views of residents who would be affected.

The third point has to do with the removal of planning decisions to more remote levels of government. According to the white paper, plans of Metro, regions and counties will be dominant over the official plan and zoning bylaws of local municipalities. Once Metro or a region passes an official plan, the zoning bylaws of the local municipality must conform within a one-year period.

Residents of the city of Toronto or other inner-city areas could be forced to accept expressways, while residents of suburban areas could be forced to accept higher residential densities, imposed by a level of government that is perceived as remote and unresponsive.

Metro, regions and counties will assume responsibility for land severance applications. This proposal makes little sense in urban areas such as Metro, where local committees of adjustment deal routinely with large numbers of severance applications.

Planning in Ontario traditionally has been a major responsibility of the local level of government. Most residents look to local planning boards and aldermen to understand or influence planning decisions which affect their neighbourhoods. The white paper, however, would abolish local planning boards with citizen members. Responsibility for planning would largely be transferred to the metropolitan or regional level of government—removed further from citizen control, on one hand, and from provincial accountability on the other. Both local community and broader province-wide interests would suffer.

We shall certainly be looking for ways to alleviate these concerns prior to passage of any future legislation.

Mr. Chairman, that completes the remarks that I have, and I assume that our official critic will be arriving soon.

**Mr. Acting Chairman:** Mr. Hennessy indicated he wants to comment. I know time is short. We don't want an hour's speech, Mickey, but do you have a comment? Do you want to say something before the minister responds?

**Mr. Hennessy:** No, I want to ask some questions; so I think the minister should respond.

**Hon. Mr. Bennett:** Mr. Chairman, I have listened with interest to both the third party critic and the official opposition critic regarding the Ministry of Housing, some of the programs that we have in place, some of the programs that are not in place, some of the programs that have been discontinued, and some of their observations about what we should do to correct some of the problems that exist in the provision of affordable housing in the province.

In fairness to Dr. Dukszta, if I were to say that his philosophy and my philosophy are poles apart, I suppose we could spend the rest of the afternoon discussing that alone without really bringing any change to his position or to my position. I basically disagree with the philosophy he has enunciated but, as I have said already, that's where there are great differences.

I'm not convinced, I might say to the critic of the third party, that major government interference in the private market of the supply of housing, whether it be social housing or any other type of housing, will work any more effectively in Ontario or in Canada than it has in a great number of other countries in this great universe.

The third-party critic went on to discuss the impact of the housing industry on the economy of Ontario, and indeed, I suppose, on that of Canada. I make no apologies for knowing very well what the impact happens to be, but let me try to focus some of the perspectives that have gone astray in the last period of time. For too long a period in Canada, as in other places, we have tried constantly to use the housing industry to prime the pump for a better economy. On many occasions, we did not try to rationalize what the consumers' consumption might be, but considered strictly what job opportunities would be created regardless of what happened to the end product—whether it was sold or not.

Let me tell you, there are some people sitting out in the marketplace today, big and small developers, who, as a result of programs put in place by federal and provincial governments, built homes that they believed they were building in response to market demand. I said earlier today that there are a great number of small developers who do not have expertise in research, and so must follow their own judgement, or what they hear in the marketplace, or what others, such as bank people, advise them. There are a number of them out there, as a result of all

the programs governments put in operation, sitting with housing stock. Some of them are bouncing on the ropes, financially, and selling units below their construction costs, including land costs, because they can no longer afford municipal taxes, interest payments, and other charges that are accumulating against their inventory.

Frankly, I tell you that if governments are going to continue to try to prime the pump with the housing industry, without any concern for what happens to the end product, there will be more people on the ropes, financially. I can assure you of this: if that happens, it won't be the big fellows—not the Cadillacs, the Consolidated Buildings, the Wimpeys, the Costains, the Campeaus and whoever else—who are going to suffer that fate. Their lasting power and their capacity are somewhat better than those of the small ones. The ones I have just mentioned are not the companies that have been in to see me; the ones that have are the small firms, those individually owned or partnerships, which build 50 homes or fewer in a year.

As a result of priming this pump, and of encouraging them to get into the construction field and build these homes, we are surely and systematically, whether we intended it or not, eliminating them from the field of building because of competition.

I make the point very clearly. While you want to talk about government interference in the marketplace, we are experiencing some very great difficulties.

**Mr. Dukszta:** I used the word "intervention." I'd prefer that if you're ascribing to me the word "interference."

**Hon. Mr. Bennett:** You use what words you want, Dr. Dukszta, and I'll use the vocabulary that fits the situation as I interpret it. Okay?

**Mr. Dukszta:** It wasn't interference. Intervention is—

**Hon. Mr. Bennett:** Intervention, in my interpretation, is interference, sir.

**Mr. M. N. Davison:** Get yourself a dictionary.

**Hon. Mr. Bennett:** No. The doctor can buy the dictionary, and, if he wishes to read it, go ahead. It might be—

**Mr. Dukszta:** I know precisely what I said. Intervention is different from interference.

**Hon. Mr. Bennett:** That's fine. You said we should recognize what policies are in our government to stimulate activity in the construction industry.

I think we have tried to recognize it, within realism. But to constantly overbuild, as

we have, is causing some great problems. I am not going to say it is in all communities, but the overbuilding situation and the availability of new housing stock is pretty general across the province. I think we have to resolve some of those difficulties.

[12:45]

Canada Mortgage and Housing Corporation's inventory will be 31,000, and is expected to go to 50,000 by the end of the fiscal year, which is March. If we continue, it could be a great deal more than 50,000 units going back into CMHC's ownership or control.

We touched on problems relating to the mortgage rate. Like the member representing the Liberal position, I recall my father saying to me as a young fellow in knee pants, when interest rates went from three per cent to three and a half per cent: "There is no way you can afford to buy a home. The rates will come back down." I suppose that was the philosophy they used for many years. No one ever believed we would surpass 10 per cent in the mortgage interest market. We have long surpassed that and have climbed halfway to the next point of 20 per cent.

You can talk about what this government should do in relation to interest rates. Frankly, the Ontario Mortgage Corporation came into being not only as a result of interest rate control, but also because at the time it was implemented there was a shortage of private funding for mortgages in the marketplace. We were looking for a way to stimulate the housing industry and to afford people the ability to purchase homes.

We said clearly at the time—I said this in the Legislature, and I repeat it here today—when we extended a 35-year mortgage, one amortized at 35 years with renewable five-year commitments, the first five years was at an interest rate that was really and truly being subsidized for the general tax position of the province. There were no indications that we were going to go on subsidizing that interest rate.

That was the belief and philosophy behind the Assisted Home Ownership Program: that the first five years of ownership were the difficult ones, and that if some assistance could be afforded to those individuals purchasing under a subsidized interest rate, they would be over the hump and prepared financially to take on whatever responsibilities might fall to them at the renewal period.

It is great for the critics here today to ask, "What is the Minister of Housing in Ontario doing about interest rates on a provincial and national basis?" Of course, we had the

discussion with our Treasurer. In turn, he had discussions with Mr. Crosbie of the federal government concerning what we can expect with interest rates.

I am no prophet, but I do listen to what is being said in the marketplace. There is very serious discussion indicating that interest rates, after the turn of the year and getting on into the late spring, will likely improve in a downward direction.

We did talk about the renewal area. It has been, and continues to be, a priority section within this ministry. The moneys that have gone into the Ontario Home Renewal Program, the main street and downtown revitalization programs, our participation in the Neighbourhood Improvement Program and so on, which I think can be considered in the renewal area, have been ever increasing.

The critic for the third party also referred to what was happening in relation to the disposition of some of the land holdings by the Ontario Land Corporation and within the land wing of the Ministry of Housing. Those lands that are or anticipated to be surplus to our needs are being offered in the private market to municipalities which will have the opportunity to get involved before they go out to the free market system.

Indeed, I might say that some of the surplus lands already have been designated for what might be municipal purposes, for conservation authority purposes, and for our own ministries, including the Ministry of Transportation and Communications. We are making them available to municipalities because we think they have some nonprofit housing organizations, which could very well find the lands that we hold advantageous to the development of their projects in the future.

If you want to control all the subsequent sales, it could very well be that we'll hold them for an indefinite period of time and then still find that there are no purchasers or anyone desiring to purchase.

I have touched on the mortgages and our failure, according to Dr. Dukszta, to control the excessive increase in interest rates. I can be sympathetic to the high interest costs for everyone in this province and this country who is at the moment caught in the renewal position or seeking new mortgages. I have some people sitting in my office who at this moment are at the five-year position—not with Ontario Mortgage Corporation obviously—with their own private mortgages being renewed at what we, as sympathetic outside observers from the mortgage industry,

can describe as the high and unrealistic or unreasonable increases. I admit that, but Ontario doesn't control the interest market of this province or this country.

Just to keep some of the statistics correct, Dr. Dukszta, I want to refer you to some remarks that were made by your leader. It was said in the quote from your leader on October 26 that 850 mortgages at a rate of 8.75 per cent were sold to the private sector by the Ontario Mortgage Corporation two months ago. The paper, the Sun, also went on to claim that home owners financed by the Ontario Mortgage Corporation face huge leaps in interest payments because the government sold their mortgages to the private investors.

Just so we get things clear, this year a total of 558 mortgage units were sold by the Ontario Mortgage Corporation. The first package to be sold was made up of 280 units. These mortgages were renewed between April and August of the current year, 1979, all of them at an 11 per cent interest rate. This rate will be in effect for the next five years, because they're on five-year renewable terms.

The second package sold was 278 units. These mortgages are not at maturity of the five-year renewable period until August 1981. They have a current interest position of 9.75 per cent until then. The interest factor does not change because we happen to sell it in mid-term.

A third package of 298 units which we did have scheduled to sell was withdrawn and not sold. The current rates on those mortgages range from 8.75 to 9.75 per cent. To give a little background, to date we have had the opportunity as a government of disposing of some 4,000 mortgages that we held. The Treasury received roughly \$120 million for those mortgages. They were at a discount rate which cost us, the taxpayers of Ontario, roughly \$1 million.

I'm not a financier and I don't want to get into the discussion, but if one was to follow the fact that we disposed of those mortgages and thereby reduced our borrowing by \$120 million, the penalty that we take of \$1 million would be far offset by the advantages of not borrowing ourselves in the high interest rate market today.

Through the Ontario Mortgage Corporation, and with the Treasurer's support, we have deferred any further sales of mortgages at this time, basically because of the less than advantageous market position that we would be in and the discount rates that we would experience. We are still administering more than 23,000 mortgages, both first and second.

**Mr. Dukszta:** How much is that worth?

**Hon. Mr. Bennett:** Between \$600 million and \$700 million. Total mortgages outstanding at this time in the corporation are in the range of \$890 million. That takes in, of course, a tremendous number of mortgages that came into being under the Home Ownership Made Easy plan and various other programs that have been in place for a number of years.

**Mr. Dukszta:** Could you repeat the figures as of September of this year?

**Hon. Mr. Bennett:** I will have to get the figure for September, but I think it's in the \$890 million range. That's all of the mortgages we hold, whether they be land mortgages, first and second mortgages, deferred mortgages pending the sale of land by those people who came in under a home ownership program and have reduced payments or deferred payments and so on.

**Mr. Dukszta:** I have a different figure—

**Hon. Mr. Bennett:** Usually you do.

**Mr. Dukszta:** —but you say you are correct, then you are correct. You just said this is the figure you have, so I have to accept it.

**Hon. Mr. Bennett:** Which figure do you have?

**Mr. Dukszta:** I haven't checked it, but I will in a moment.

**Hon. Mr. Bennett:** Be my guest. The current interest rate charged by the Ontario Mortgage Corporation is in keeping with section 58 of the National Housing Act and that is 12½ per cent. That interest rate was spelled out to us only in the last week or 10 days by Central Mortgage and Housing Corporation. We do have a number of mortgages under OMC that will come up for renewal, at least a five-year renewal period, over the next several months.

I thought I answered the questions of the Leader of the Opposition (Mr. S. Smith) straightforwardly in the House when he asked what we were doing and what we disposed of. I don't think my answer was off base at all. We indicated clearly what we were disposing of and that it was our intention to retain for the moment what is presently within the portfolio.

The member inferred that the Metro report on assisted housing appeared to have been authored by people within the Ministry of Housing. We did not write it, and while we accept the findings, I would trust that the members are well aware of the fact that things do change in the society we live in, sometimes for the better and sometimes not for the better. I think Metro has come

to the realism that there has been a substantial change in the position of and the demand for socially assisted housing. We can all be very critical of a report if we don't like what it says and we can be very supportive of it if it does say what we want.

We have reviewed the report and had discussions with people from the Metro government, as you know, with the people of the local government, the city of Toronto, re the overall problem of public housing, whose responsibility it is and so on. I suppose there will never be a time when there will be 100 per cent acceptance one way or the other of how the problem is to be resolved, but we are working on it and are well on our way to finding some of the solutions to the problems that have plagued socially assisted housing, not only in Metro Toronto but indeed across the province.

This morning, a member also quoted from a statement of October 19 about Toronto setting the pattern. I wouldn't want to say Toronto sets the pattern. It might provide some guidelines, but some of the things we're negotiating with Toronto we've also been negotiating with Ottawa, Owen Sound and some of the other communities which have similar types of portfolios.

If we can find the solution in any one of those communities then my interpretation of what I was saying is simply and truly this: if it's good enough for Owen Sound it's good enough for Toronto or Ottawa, or vice versa, if it's good enough for Toronto it surely is good enough for the rest of the province. In no way was I trying to put Toronto over and above in a better, or more advantageous, position than any other housing portfolio being supported by municipal tax dollars.

One of the exceptions I'd like to take to the member's remarks was that he said the waiting list for publicly assisted housing can be manipulated. Frankly the local housing authorities, which have people who represent appointments from the provincial, municipal and federal governments, really administer and direct the portfolios. I can see no reason why either they or my ministry wish to become part and parcel of what the member refers to as manipulation.

[3:00]

He goes on to say members really can't accept the fact that the number of people requesting public housing has declined. So there is no misunderstanding, let's get down to what we mean by "waiting list" and "eligibility." You and I could have applications at this time with the local housing authorities in the communities we wish to

reside in, asking for publicly supported housing and the eligibility of being a tenant in that housing. There is no restriction—absolutely none.

I am in the world of politics, the same as the rest of the members sitting around the table today, and I have heard the comment—I hope the NDP aren't going to be sanctimonious on this one—"Go and put in your application." Most members, regardless of their political stripe, really don't want to get involved in the Browns' financial situation or their health program and so on. On a general view of the situation, they tell them to go and make application and allow the housing authority to do an assessment and then to see whether they qualify for being on a true waiting list.

I will admit that if you look across this province today there are people of substantial means on the waiting list, but I did not say they qualified to be on the true, authentic need waiting list, which is quite a different thing. If you look in Metropolitan Toronto you will find that over the last two years or thereabouts—I was looking for the figures which came out just in the last few days—there has been a significant reduction in the number of eligible—and I am now qualifying it—eligible people on the waiting list.

I resent the fact that you would imply there was manipulation. It is straightforward. If the people need it, then they will have it—with the capacity of provincial, municipal and federal government funding to support and provide that type of housing.

Let's never forget that while we talk about need and the number of units there seems to be—I am not referring to any one group of political forces in this room—a general turning of a blind eye to the fact we are no different from the private sector when it comes to tenants. We have a rollover in tenants. We have a vacancy rate every year and we don't even have to plan for it.

For reasons best known to the tenants themselves, they move out, maybe back into the private sector, maybe into other communities. There has generally been about a 10 per cent rollover situation in our public housing across the province. I will admit that in some communities it varies as compared to others, but there has generally been about a 10 per cent rollover.

Before I leave the field of housing, I and this government are truly aware of the commitment to providing socially assisted housing in this province, but before we go galloping down the road we want to be sure we are not ultimately going to wind up with a

housing inventory that can't be used and justified. I think some people should keep in mind that participation in public housing is not singularly at the discretion or the direction of the province.

We have a third partner which has a part to play in the program, and that is the municipality. I think it would be correct to say that while sometimes municipalities want public housing, whether or not it is for families—and that seems to be one of the areas where we have the greatest degree of confusion—they cannot always sell it being located in a particular community within their municipality.

So sometimes the lack of ability to provide public family housing—and I'll stick with family housing for a moment—is not altogether the responsibility of the province. We have on occasion been willing to move but we want to have the site prepared zone-wise and so on to accommodate the type of development that community needs. It is not the responsibility of the Minister of Housing to go pounding in on a dictatorial basis and saying to the municipality: "You're going to have this housing, come hell or high water, whether you like it or not. It's going to be at the corner of Spruce and Pine and that's it. Discussion over."

That responsibility has been given to the municipality, to sell the idea within the community, with us providing it through the financing programs in the past. I make the point once again that I know the responsibility of this government to social housing, and it has been restated time and time again across Ontario. I am prepared to admit here today that I do not take every municipal request as being completely supportive of the need in the marketplace.

If I can come to one personal item, there is a woman in Parkdale, a constituency member, who had to leave Parkdale for subsidized housing in Scarborough or somewhere beyond the area where she had been accustomed to living. I would think, truly and frankly, every effort is made, in keeping with the social philosophy of the Ontario Housing Corporation, to try to provide suitable accommodation. When the need is apparent and the people receive a priority position on the list, every effort is made to accommodate them in the area they are accustomed to living in—for the reasons you mentioned this morning, which are very worthy of note.

When someone has grown up in a particular community or has some social relations in that community—whether it be the church, or doctors, or shopping facilities—they make

every attempt to ensure that tenant is allowed to stay in the area.

I don't know whether you checked with the Metropolitan Toronto Housing Company Limited, with which we have a communications relationship for providing housing. I say frankly, for them as well as for our operation, I think every effort is extended to try to accommodate people. Sometimes because of the urgency for accommodation—the expiry of a lease or the home being demolished or something else—it is not always within the competence of either Metro housing or OHC to provide the unit in the locale they want. Not knowing the specifics of the subject, I'm prepared to have it looked into to see what lengths we went to.

I can only say to the member I think it's not reasonable to expect that every time there is an emergency, if I can call it that, or a need, there's always going to be a vacancy in the area where the person lives. I don't think it would be reasonable to expect that OHC or Metro housing is going to sit around having units vacant waiting for that type of situation to develop.

On an area I touched on this morning, Mr. Dukszta—just to keep my figures straight—I said \$890 million; I was \$5 million high. Ontario Mortgage Corporation has its own mortgages and mortgages from OHC which have recently been transferred. We now have about \$885 million in outstanding mortgages. To correct a further figure, with that accumulation coming out from OHC, we now have an accumulation of 38,000 mortgages with 6,500 leases, which are in a quasi-mortgage position.

You spoke this morning about rent supplement and shelter allowance programs, which would only result in more money for the private owner. That's what I interpreted your remarks to mean this morning. Is that correct?

**Mr. Dukszta:** No, I said give it to the people who needed shelter. I said it was the wrong way of approaching it because ultimately a significant percentage of it will end up in the pockets of private developers instead of the people you were supposed to be doing it for.

**Hon. Mr. Bennett:** The individual renter gets the shelter allowance to let him or her or them be accommodated in facilities that meet their requirements. Let me quote from this statement: "Shelter allowance program, to be introduced on a staged basis, to guarantee that nobody has to pay above 25 per cent of income for shelter—less for lowest income groups."

I understand that statement was made by your leader when he was the Housing critic. He was supportive of shelter allowances being implemented in the province. Frankly, I think there could be some advantage to shelter allowances and I'm cautioned by your observation of what happens.

Let me just go on for a moment to talk about the nonprofit organizations—whether they be private or public. I said this morning in my opening remarks, re the agreement between ourselves and the federal government in the cost-sharing programs and that type of housing, that the market rent is set by the province, certainly in collaboration with the owner and the others, so that we have some idea of what we're dealing with in costs. But we set the rent in reality, we don't rent.

I take your remark as being very correct: if you didn't have some control in that aspect, I suppose when government moves in with a rent supplement program the sky could become the limit. We want to have some degree of understanding of where the market rent is, not only for those being supplemented by us but also those rents that are being written down by the overall rent figure that comes from the federal government under the program.

I think I've touched on most of the points raised by the third party critic.

Regarding the remarks by Mr. Newman there are a number of problems that have resulted in the rental field as a result of the withdrawal of certain programs that were in place both federally and provincially. He spoke about Assisted Rental Program and what do we intend to do re the replacement. I think the program had a tremendous number of advantages for the private sector as well as in producing rental accommodations.

The piggybacking by the province made it even more advantageous. It was done because we realized that in certain market positions—Metropolitan Toronto has to be the best example—we had the situation where any time the grant requirement from the federal government exceeded the maximum of \$100 the province would participate in an additional \$50, or a maximum of \$50, or portions thereof.

I suppose we should have been alerted to the fact that there were going to be some major changes when the federal government of the day decided to withdraw the \$100 limit except for Metropolitan Toronto and place a \$75 limit on other communities—Thunder Bay, Ottawa, London, and so on. This really put us out of the ball park. We as a provincial government could no longer

participate in ARP because of our commitment that the federal donation had to exceed the \$100 before we could become party to it.

I've spoken to the new minister, Elmer MacKay, on two or three occasions. I've been very emphatic with him that I think the program is essential if we are to get back on stream with providing the number of rental accommodations that will be required in Metro Toronto and some of the other major cities. We have pushed with him, and I might say we're not alone. Some of the major cities of the other provinces are experiencing a similar devastating situation as far as new construction of rental units is concerned.

We're to meet with the federal minister in the next few weeks. The date has not been set, but I would imagine that shortly after the federal budget is brought down he will take the opportunity to meet with us. That does not prohibit me, nor has it on three occasions since he's been the minister, from discussing this program with him as well as some of the aspects of the community services contribution program and the subsidized housing program. [3:15]

I can only caution the members that from a financial point of view—and I think we all have to be very realistic—I don't think it's within this government's or this province's financial capabilities to go on an Assisted Rental Program alone. Keeping in mind that the initial year of the program may not be that difficult, after the second, third and on to the tenth year of the reduction payments, the financial drain on the province's resources would be very substantial. While housing, in one sense, is the province's responsibility, there's also a federal responsibility or they wouldn't have a thing known as Canada Mortgage and Housing Corporation.

We will work towards some type of replacement program. I would hope the present government might very well reinstitute the Assisted Rental Program as it previously existed with basically the same rules and conditions, with some modifications made. It's a program that was understood by the marketplace and the financial institutions. That's very important.

I did speak of, and you did refer to, the graduated payment mortgage, which is a program brought out by the federal government. They attempted to sell it to the private sector to put more mortgage money into rental accommodations and others. I don't recall your exact figures, but according to my recollection they're not far off, if not right on.

There has not been an overwhelming or spontaneous response from the private sector

to participate in that program. I must admit I'm one who's very cautious on what we call back-end loading on any project where the financing and payments are deferred for a five- or 10-year period and eventually have to be picked up.

One doesn't know what the economics will be. One is not able to determine what interest rates will be at the time when renewals come along. One can't be sure there's going to be a continual improvement of economics as far as incomes are concerned. To defer everything for a five- or 10-year period could very well spell—and is spelling under the Assisted Home Ownership Program—rather disastrous conditions for those people. That can apply just as much to the man in the business world as it does to the individual purchaser under AHOP.

That's obviously one of the things that's being observed very carefully by the private sector and why it has not been, in their opinion, as advantageous as the old Assisted Rental Program appeared to them, and obviously was to them.

I must admit I'm not the greatest booster of the graduated payment mortgage, because I think it does have a devastating effect. I would be, if I was in the private market, extremely cautious as to where it was leading me in my financial ability to do financing of the company some day in the future.

Regarding the AHOP homes, the program was implemented five or more years ago as an incentive to try to stimulate activity in the general housing program of ownership, financed under some very advantageous conditions by the guarantee of CMHC. Again, it was a situation of deferred payments and back-end loading on mortgages.

The five years has run out on a great number of them. Most incomes have not escalated at the percentage originally projected to give them the capabilities of paying this higher mortgage and principal rate at the end of five years.

The other thing that has really interfered with AHOP is that escalation and appreciation in value of a home have not taken place in most communities. There are some exceptions to the rule. People now find under AHOP that in the case of some homes they bought for \$38,000, which might have been the maximum, or \$42,000, which was the maximum set in some areas by CMHC—which I might say was in agreement or in consultation with municipalities and the provincial and federal governments—the mortgage is far in excess of what the resale value could be at this day. That is not to say there couldn't be some improvement in time to come.

That has presented a really difficult problem for CMHC. As I said earlier, they now have about 31,000 units reclaimed, from which a number of people have just walked away because they could no longer afford them. Central Mortgage and Housing Corporation, now Canada Mortgage and Housing Corporation, has given them the right to turn in their keys and allow the mortgage company to take them back. The mortgage company in turn, as a financial arrangement with CMHC, gets full repayment of the mortgage while CMHC becomes the proud owner of the unit.

As of the end of October, there were about 31,000 units. I understand in my discussions with a number of people re the federal ministry that they're projecting—and these may be far out figures because I don't know—by March 31, if the market position continues the way it has been going, they could very well have in their inventory in the range of 50,000 units.

Some of them are in condominium high-rises, which makes it a very difficult position for CMHC or anybody else to try to move them out of their control. If they have 25 or 30 units in a building and try to sell them, you can rest well assured that it will have a devastating effect on the balance of the condominium owners in that building and the values they attach to their particular units.

I understand the federal government might be somewhat sympathetic to looking at a clause that was in the original mortgage and purchase agreement, which was a five-year extension in the relief factors that were implemented with the Assisted Home Ownership Program in the original instance. I do not believe many people who purchased AHOP homes have taken advantage of the five-year extended privileges. It's my understanding, both from discussions and reading the press, that the federal minister will attempt to try to activate greater use of that particular clause rather than letting people walk away.

The federal minister's attention has been drawn to the fact that if they walk away from the ownership category, one of two things happens. They immediately come back on to the purchasing market, and some of them do; they walk away from one home and purchase another immediately. A fair percentage of them, of course, return from that position into the rental market, which in metropolitan areas—I suppose Toronto is the best example—is a tight market situation. The federal minister obviously has a

responsibility to try to cool out that situation. I can only wish him great success with it because it's the only way I can see some degree of survival in the rental program.

You spoke on the white paper. Rather than try to go through the white paper and all the comments you made, I think I will have an opportunity, other than making a few comments now, to have it gone through more explicitly at the time we arrive at that particular vote. It's not a matter of amending the act; it's a matter of introducing a whole new act into this province after some 30 years of the Planning Act that's presently there and which has been amended time and time again.

I admit and agree with you that we've been a long time getting to this position—from 1973, as I said this morning; some six years—but I still have municipalities and others saying that we're trying to rush this particular situation into reality.

The legislation has been drafted and will be circulated very shortly. I'm aware of the fact that we were anticipating having it out in August or September. I'm not a lawyer, but I suppose there's a lesson to be learned by the minister that when you start putting lawyers from three sides—my ministry and general government and planners—in the same room there seems to be somewhat of a different vocabulary being used by the three of them. It was my intention that before mass confusion arises out there in the marketplace—being you and I—the legal observers and the planners and some of the outsiders who have been involved in bringing this thing to where it is today, should be sure that we have a common vocabulary understood by all.

One of the things I would like to see in the Planning Act—and it's one of the reasons, I suppose, we've deferred bringing the legislation out—is language such that the average citizen who picks up the new Planning Act can read it and have some understanding of what he's reading. Maybe we can avoid having him go through so many lawyers, because it is not my intention as a minister to try to design by a Planning Act a built-in pension plan for those who practise law in the field of municipal planning. We have succeeded in doing that in a great number of other areas for the lawyers, I might say.

The Planning Act, you said, leaves certain responsibilities with the minister. It does. I think I expressed this morning some of the reservations I have, even as a minister in relation to them and the responsibilities that would come upon us. I'm fully aware of the

decision I made a year ago on the Cantralak issue. The decision still stands, even though the developer hasn't gone ahead. He might not have gone ahead for two or three reasons—I imagine for the same reason we just finished discussing: the cost of money seems to have escalated to a point where maybe it's not really wise to be looking at it until some time next year. I don't know.

I do know there have been some extensive discussions with people in the Caledon Hills area and the developer, as well as the original landowner, Mr. McLaughlin. I couldn't tell you what the final outcome has been. I do know, through reading the newspaper and from some of the gossip that with regard to the option on the land there has been a change in attitude regarding the price, which also could have some dampening effect.

The white paper on the Planning Act was to try to streamline some of the rules and procedures to do what members of your party, the New Democratic Party and my party and municipal people have been saying for a long time—we've got to find some way of reducing the period of time it takes to get a subdivision or other planning matters through to the final day of permit.

The architects' association was in to see me within the last few days. They have some reservations about the white paper, as do the engineers, as do the professional planners who make their money by going around and selling their talents to municipalities, and so on. I'm hopeful that during the discussions that will take place at the regional, county, municipal, provincial and whatever other level, that we'll find some solutions to the problems—not all of them; I'm a realist. There always will be some differences of opinions between certain organizations. That's to be expected.

Let's just touch on one of the other items you mentioned. Where does the transfer of responsibility go? You mentioned Metropolitan Toronto. We've already assigned planning responsibility to some of the regions.

Obviously, a regional official plan has to have the majority of the members of that municipality or that regional area in concurrence or it doesn't go ahead. It would never get to my desk. It has even at times been challenged before an Ontario Municipal Board hearing.

The region is charged with the overall planning responsibilities of that particular geographic area. It would be rather foolish of us to say to the region, "You have the responsibility, but the final approval of certain plans is going to rest with an individual municipality within that region," which could,

for reasons best known to themselves, on occasion be somewhat contrary to what the regional government has proposed or had approved. As a result, you start running into the situation where you have a real conflict. [3:30]

In observations and in discussions it was felt that—if I can use the terminology—the upper level of government, the regional government, or, in some cases, the county government should have that ultimate decision of how the planning problems are going to be resolved. As I said in my opening remarks, if you turn over the responsibility to each municipality, regardless of whether they are in a region or a county, or each township or village, or whatever other planning authority that has the capabilities of doing their own planning, I think you are heading into an area of conflict and confusion that will be worse than it is today.

I would hate to think of someone trying to develop a subdivision in some areas where you had everybody make his decision and eventually you could have mass confusion. If by any stretch of the imagination you think that's going to reduce the appeals to the municipal board, I would have to hasten to say to you I think it would raise them considerably.

We did say there were some cities in this province that will be extended the same planning approval privileges as regions or counties—cities like Windsor, Thunder Bay, Kingston, London—major municipalities which have the planning capabilities, understanding, staff, expertise and background that can carry this type of responsibility. But it is only going to go to them if they request it. If they don't want to take on that responsibility and leave the final decision of approvals to the province, the minister's office or the ministry, that's where it will stay. As I said, business as usual, unless somebody requests that change of authority at the local level.

We touched on severances and the confusion about not being able to go to the municipal board. I suppose there is no subject, as far as this ministry is concerned, that is more controversial, regardless of which member happens to be talking to me. The land division committee or severance group sometimes gives out a severance and the member will come to me and say, "There's great violence and opposition in my community because it's been done." The next time they will come to me and tell me that the decision has been turned down, and it's Farmer Smith who should have this lot severed to accommodate his helping hand, which is

provided for under the act, or for his daughter or son, or something of that nature. I guess severances is the most controversial, most difficult subject I have to deal with on an individual basis.

We are trying to reduce the rights to appeal to the municipal board to wishes that are of some greater concern. You can say, "Well, that's a great concern to the local individual." What you are doing is asking a body that's set up, working out of Toronto, a hearing officer who may not have any knowledge about the community in which he's now being asked to review on a severance, trying to make a decision. And still the Browns, the Smiths and the Joneses and whoever else sits on that severance committee and so on have made their decision based on their knowledge.

Oh, I'm aware of the fact, as are you, that at times we are told, "Well, Smith on that board doesn't like me. That's why I can't get my"—sorry, Gordie, I wasn't referring to you—"and that's why I didn't get what I wanted." I suppose that that will always be the situation. If we went to the municipal board I suppose somebody would find some reason why the hearing officer there didn't like the cut of his hair or the tie he was wearing or something else.

We have tried to expedite these matters as much as possible. At the moment, with some changes in the act we could save six man-years, as OMB hearing officers' time in running over this province to hear things such as severances and other minor variations to bylaws. In some cases they may not even have the jurisdiction to listen to them but are doing so because at the time the complaint or the appeal was filed the details were not enclosed. The time of the hearing was established; the officer travels to Kenora or to Ottawa, or to Hawkesbury or somewhere else, only to find out that nobody appears at the hearing and there's no hearing. So he wastes days of his time, which in your opinion and mine is rather valuable when used in bringing down decisions on some other projects of paramount importance to the economics of some community.

It is not the intention under the planning white paper to try to disallow people from being part of the protest or having the right to appeal, but I think you will agree there has to be something more in this system than just somebody, because he doesn't like whatever the amendment happens to be, sending a 17 cent postage stamp on an envelope saying, "I wish to appeal that particular operation."

You have developers in Windsor who complain because they go for months to get to a hearing and when they get there the individual really wasn't protesting that amendment but he was using it as the pressure play to get something else he wanted. I hear that every day. I think that realism has to take over, but if you really are sincere—and we're not trying to eliminate individuals from having the right to appear before the municipal board.

As the act says very clearly and in the white paper we spell it out, you don't personally have to be at the council meeting or anywhere else; you can have an agent or representative; it could be your next-door neighbour, it could be anybody for that matter. A lawyer or an individual could represent 100 people who would all have the right to appeal their case to the municipal board.

I understand in my discussions with members of the House per se that they do get somewhat concerned with the amount of time that appears to be used on OMB hearings that really, if the facts were known at the start, may not have been required and they could have proceeded.

As you know, in the white paper we talk about having preliminary hearings in chambers to decide whether there is really any case to go before the municipal board. I think that is welcomed by municipalities if I interpret their recent remarks to me correctly. They find they are spending an unrealistic and unreasonable amount of time with their lawyers and their staff sitting around at these hearings and sometimes in the end analysis they haven't gained a great deal.

I think we can go into the white paper more explicitly as we proceed with the estimates. I think those are the main issues.

May I just make one statement? I think Dr. Duksza this morning referred to rent subsidies on our housing units of something in the range of \$177 or thereabouts—let's say \$175 to make it easy. I trust you weren't confusing the fact that there is a gross figure involving the federal, provincial and municipal contribution, not singularly the province. Our contribution runs about \$73 of that figure. The balance comes from the others.

I just want to make one further comment to Bernie, while I think of it. He mentioned nonprofit housing and what our participation would be to continue to provide that type of housing stock in place in the various communities. You referred to up-front money for land purchases.

That has not, in my observation, been the problem. Most of the nonprofits we're dealing with at the moment happen to be those of municipalities, which do have the resources to acquire land because it's been deeded to them through one program or another or they have a sufficient number of dollars in reserve to acquire it. The nonprofit housing and the new housing agreement that we have with the federal government—

**Mr. B. Newman:** Aren't you running into an unusual situation now with the price of land?

**Hon. Mr. Bennett:** We have not been notified of that situation by any municipality at this point because the land purchase cost will eventually come back to them through the mortgaging that can be arranged, which is guaranteed 100 per cent by CMHC and by the way it's written down, just so we're clear on what happens.

The new agreement with the assisted housing in this province—and I'm rather pleased with it. I say this fairly and frankly about the last federal administration, Ontario took the leadership and we bargained for an agreement that I think has financial implications to the federal government far beyond what it had anticipated or expected to be obligated to in the final days of this type of program.

What we have done is require that the municipalities on the nonprofit housing projects must raise all of their funds in the private market. There is no further a clause or a section 40 which allows us, under OHC, to build massive projects, as we have done all over this province. That's gone. There is no more Canada Mortgage and Housing Corporation financing. If we want to build, we have the same responsibility as a municipal nonprofit organization or a private nonprofit organization when going out into the private market and securing a mortgage at current interest rates.

What are the advantages then? What we bargained for is that the federal government's contribution would be that we would write down the mortgage to two per cent interest. Whatever they are paying in the marketplace would be written down to two per cent and the difference would be paid to the nonprofit housing corporation to do two things: First, to bring market rents down on all units in the development; and, second, to use the balance of funds in the rent supplement program for those who would come off the Ontario Housing Corporation or local housing authority waiting lists.

I should back up for one moment. This write-down to two per cent over the 35 years of the mortgage is always predicated on 100 per cent of the mortgage and the basic interest on the whole mortgage, regardless of what the reduced balance on the mortgage payments happens to be. There are some very advantageous factors to it. While the mortgage payments are reducing—and it wouldn't be noticeable in the first 10 years or more—it becomes very, very advantageous because heating, maintenance and other costs are escalating.

Our projection is that the advantage of the plan is very great. We believe the write-down in interest will require the feds to be up front for many years, alone in subsidizing and supporting rent supplement units in the nonprofits generally. We think it could be seven to 12 years before we, the province, are called upon to put our 42½ per cent into the deal—or a maximum of 42½ per cent into the deal. We are serious in saying we have great doubts that the municipalities will ever be called on, in the years to come, to put their 7½ per cent in. In other words, we're saying it will be a long time before they use up the whole 42½ per cent of our subsidization program.

At the same time, we still give 10 per cent of the capital cost of the project up front out of the communities services contribution program, to a public nonprofit housing corporation. In other words, if it is \$2 million, \$200,000 comes from us. It can flow to them over a 15-year period or they can take the whole thing at once, predicated and compounded at eight per cent interest per year for the 15 years. Most of them do that.

I think that will assist and has assisted a great number of nonprofits—privately and publicly owned. I emphasize that the private nonprofits you might have been referring to, some of the churches and service clubs and so on now administered by Canada Mortgage and Housing and the co-ops, which we have supported through up-front funding and through rent supplement programs even if they are privately owned, could very well become our direct responsibility over the next period of time.

At the moment they are not. They were excluded from the agreement and we're discussing it with the federal minister. I would not be opposed to taking them over because I think it would give greater unification to the provision and supply of housing in this province. I can tell you frankly that in some areas we are going to find that because of lack of co-ordination, because some of these

nonprofit organizations go to Canada Mortgage and Housing and get approval after they have federal government approval neither the province nor the municipality can refuse them, although by some statistics there could be more units than are required in that locale, in that community. That's why we think there could be greater unification and co-operation of the type of units available.

[3:45]

**Mr. Acting Chairman:** Okay, just to recap where we are, we've had the statement from the two opposition parties. I think we'll go to the votes. The first vote is traditionally of fairly wide scope. As long as the minister wishes to answer, or you wish to ask, we'll treat that one fairly widely. If you want to refer it to a later vote we'll rule on it at that time, because it may involve getting staff here.

We'll have Mr. Davison down who I know would like to ask a question.

On vote 2201, ministry administration program:

**Mr. M. N. Davison:** Thank you very much, Mr. Chairman. I do have some questions about the Ontario Housing Corporation, which I'll save for the OHC vote, when the appropriate staff is here. I am very much concerned about what I see as the discriminatory aspect of some of the actions and policies of OHC but I'll wait for that time.

There is an issue arising though out of private nonprofit housing that's of a more broad and general concern. The aspect that causes me concern is the way in which the ministry and OHC arrive at agreements, and the kinds of agreements they are arriving at with local municipalities, these private corporations, Canada Mortgage and Housing Corporation and the federal government.

I'd like to put my concern to the minister by way of a specific example. As the minister knows, in Hamilton-Wentworth region public housing is available through the Hamilton-Wentworth housing authority. As I understand the situation now, the housing authority acts essentially as an administrative body. Policy or general policy development is that of OHC's and it is followed through by the local body.

As I understand the financing, the federal government is responsible for 50 per cent of operating loss, the provincial government for 42½ per cent and the region for seven and one-half per cent.

If someone is on the provincial disability pension—a blind person, for example, or a severely disabled person—they are getting \$286 a month. If they are living in Hamilton housing they are paying \$47 of that \$286

for their rent. Even though through family benefits allowance \$75 is considered the rent or shelter allowance portion of the disability pension, they are paying \$47.

In my riding, Hamilton Centre, there is a building with which the minister is familiar because I think I've raised it with him before. That is First Place. It's a building on a lot formerly occupied by a United Church church which burned down a few years back and it has in it a number of service offices and a commercial property; it also has a very large housing component. This development is a private nonprofit corporation and it is managed by the United Church of Canada.

To all intents and purposes the housing component of that building operates as would Hamilton housing authority housing stock. Your staff informed me on Monday there is a tri-party agreement—I think you referred to this earlier in your comments—between OHC, Canada Mortgage and Housing Corporation on behalf of the federal government and First Place or the United Church, regarding the building.

Under that agreement, as nearly as I can understand it from your staff, disabled residents could be asked to pay up to the \$75 shelter allowance they get on their disability pension, but for all this past time they have been paying the \$47 as they would if they were living in Hamilton housing accommodation. However, in May of this year, I believe it was May, OHC was told by CMHC and by the feds that they should—"must" was the word I heard—collect the full \$75 they could get under the agreement that had been signed. Consequently, as a result of an OHC authorization the tenants of First Place have been notified that as of January of this year they are going to get a rent increase of over 50 per cent: from \$47 up to \$75 per month.

We're talking about people who are totally disabled. For example, in that group there would be 10 fully blind people who are going to be charged this 50 per cent increase, which I could only characterize as gouging when you consider the amount of the pension money they have to spend to make up for their disability. They just don't have the money to pay that extra 50 per cent. It's especially severe for the blind people in the building, although other totally disabled people have equally bad problems of demands on their income in these times.

Before I go back to the general concern I wanted to raise with you, I would put before you as best I could a plea that as the minister responsible you will get on to the feds and tell them—and I believe you have

an obligation to do this—that you are not going to let them stick it to those blind people and to those other disabled people in that building. Tell them those people already have enough trouble and because of unfortunate circumstances they already don't live terribly well.

We can't let the feds hold them up like that. I think you have an obligation to tell the federal government that, and to tell the Canada Mortgage and Housing Corporation that. It seems to me if we have been able to go on for this period of time charging them \$47 under the agreement, then CMHC and the feds can change their mind and we can keep charging them \$47. We don't have to go up to the \$75. If it means that agreement has to be rewritten, then I would suggest you get on to them right away and tell them you want to renegotiate that agreement and use whatever power and influence you have as Minister of Housing, the minister responsible for the Ontario Housing Corporation, to see that agreement is rewritten before January when those rent increases are scheduled.

The greater concern I have is the way in which we somehow manage to get into these agreements. I don't know if that's a slipup no one at OHC or the ministry noticed when the agreement was signed, or if that kind of discriminatory clause—and I can only call it discriminatory—is in a lot of agreements to which OHC and CMHC are party, in the provision of subsidized housing through private nonprofit corporations. That scares me. If that's the case, it really frightens me.

I would like to know how many agreements like this you have in the Hamilton-Wentworth region. I won't make this request for the whole province, since I think that's up to other members, but as a member from Hamilton, I would hope next Wednesday when the committee sits, before we discuss the OHC vote, you would table that agreement and any agreements like it you have in the Hamilton-Wentworth area, so the committee can take a look at them and make sure this isn't going to happen to other people in Hamilton-Wentworth.

It is a very serious matter. It would certainly help to put my mind at ease at least, and I'm sure the minds of the other Hamilton-Wentworth members of the assembly, if you would table those agreements you do have, so we can take a look at them to make sure this isn't going to happen next week to somebody else in another building. I don't know if other members of the assembly, outside Hamilton-Wentworth, are concerned about that or not, but I assume you have such agreements out-

side Hamilton-Wentworth and maybe those should be reviewed.

Those are two things: (1) the specific request in this case that you tell the feds "we just can't allow you to do this to blind people and disabled people"; and (2) that you table the agreements you do have such as this in Hamilton-Wentworth so the committee, and especially members from Hamilton-Wentworth, can take a look at them to make sure this isn't going to happen to other blind and disabled people in other buildings.

**Mr. Hennessy:** Mr. Chairman, I would like to add to what has been said. We do have some problems of that nature in Thunder Bay and if you would just look into them I would appreciate it very much.

**Mr. Acting Chairman:** Mr. Minister would you like to reply?

**Hon. Mr. Bennett:** Mr. Chairman, the point raised by the member for Hamilton Centre and by the member for Fort William is also a problem in Windsor and one here in Toronto. We have been reviewing it for some time. I trust the members will appreciate the problem they are discussing really is not within the jurisdiction of the Ontario Housing Corporation and the Minister of Housing, it's more within the Community and Social Services portfolio.

**Mr. M. N. Davison:** No, sir.

**Hon. Mr. Bennett:** Let me finish.

**Mr. M. N. Davison:** Okay.

**Hon. Mr. Bennett:** The family benefits allowance, general welfare assistance and the shelter allowance, which are not components of this ministry, have for some time dictated the rents we should receive under a rental agreement, whether it be nonprofit or OHC. Let me just assure you that shelter-allowance factor affects this portfolio and this ownership more than it does anybody else, because the shelter allowance, which is now going to change, has been less if you lived in publicly owned housing than if you lived in privately owned housing. We're always on the short end of the stick by about \$50 a month per unit.

I'm not going to go into a long drawn-out situation on it. I can only say to the member that the agreement, at present, is the United Church's agreement. If they wish to give it to you, I see no problem. I'm not trying to refuse becoming involved in it, but it is an agreement between a private organization and could very well be their responsibility.

To make it very clear, we've been working on the problem. It affects the handicapped units we have in Windsor and Thunder Bay.

When I say "unit" I'm talking about a project or apartment building or a nonprofit one. We have no intention of watching rents rise by the amount of money indicated by the member. I would hope that within the next month we will have an announcement that will have concurrence from my associates in the cabinet and others who have been involved in the overall allowances, regarding rentals.

We have worked on it. We have sympathized with some of the organizations that have been caught in this dilemma. I would hope that within not too many weeks their problem will be resolved. We have given them some off-the-record encouragement, not to get themselves too far out front. Agreements have come into being over the years. Some of them are bad; some of them are being corrected. I can only give the member the assurance that I think he and, in First Place, the United Church and the others that have had this similar problem, will be very pleased with the final results we will achieve in the next four to six weeks.

**Mr. M. N. Davison:** I appreciate that the minister's doing something about this. I appreciate his statement that there will be, it is hoped, some solution in the next few weeks that will lessen the impact of increases or lessen the amount of increases. That's one of the specific concerns I have—that we don't stick it to these poor people who are already disabled or already blind.

I'm surprised by the minister's statement that if I, or any other member of the assembly, wants a copy of this agreement between CMHC, OHC and a private organization—

**Hon. Mr. Bennett:** Pardon me, not with OHC.

**Mr. M. N. Davison:** —that I should go as a member of the assembly to a private body and ask for a copy of it. OHC is a signatory to an agreement. OHC comes within the domain of the Minister of Housing. I'm asking the minister, as the minister responsible, to provide the committee not only with a copy of that particular agreement, but with any other such agreements that you have in Hamilton-Wentworth.

I don't take kindly to the minister suggesting that I should trot off to see the private organization. I'm a member of the assembly and I'm making the request, as a member of the assembly, to a minister of the crown. If you want to refuse it, that's one thing.

**Hon. Mr. Bennett:** No, I don't think I have refused it, have I?

**Mr. M. N. Davison:** You told me if I wanted it, I could go talk to the administrators in First Place.

**Hon. Mr. Bennett:** My first responsibility would be to have a chat—not so much myself as my ministry people—with the United Church to see if they're prepared to have the document released. I would want some clearance. These are agreements with private companies.

**Mr. M. N. Davison:** You can call them this afternoon or you can call them tomorrow morning.

**Hon. Mr. Bennett:** I don't see how I can call them this afternoon as long as I'm here.

**Mr. M. N. Davison:** You can call them tomorrow morning, I don't care. I have asked you as the minister responsible, next week, seven days from now, to provide the committee with a copy of such agreements.

**Hon. Mr. Bennett:** I will attempt. I make that point. Let me be very clear. I don't even know what the agreement says myself, obviously. The agreements were signed before I became minister. I will have my people approach the United Church to see what their position is on releasing the agreement.

**Mr. M. N. Davison:** I'm sorry, it's not up to the United Church to say whether or not they want an agreement released, with one of the signatories being OHC, which comes under your responsibility as the minister. It's your decision.

[4:00]

**Hon. Mr. Bennett:** I again stand to be corrected, but I do have somebody within the legal fraternity within the ministry who I'm sure will give me the advice as to whether we are within the jurisdiction of this House allowed to release a private agreement.

**Mr. M. N. Davison:** If you intend to come back to this committee—

**Hon. Mr. Bennett:** I intend to come back to the committee.

**Mr. M. N. Davison:** —or if it's a possibility that you might come back to this committee next Wednesday to tell the committee you have a legal opinion that because one of the signatories on that document is a private corporation you can't release it, then you should have that opinion in writing from the Attorney General's office because I'd like to see it.

**Hon. Mr. Bennett:** I shall attempt. I have no intentions of trying to prolong the discussion, which will ultimately produce noth-

ing other than that I will make sure that the member's request is followed through. If there are reasons why I'm not in a position to produce the statement, I will so advise you of the legal background on it.

**Mr. M. N. Davison:** Thank you.

**Hon. Mr. Bennett:** I'm not sure you were listening to what I said about what is to happen over the next six weeks. I thought I was rather complete, without getting into pre-empting what I hope will be agreed to in the next short time and which I'm rather confident will be agreed to. We did not refer to any rent increase.

**Mr. M. N. Davison:** That means that what you hope will be agreed to is that there will be no rent increase?

**Hon. Mr. Bennett:** If your interpretation of my English is the same as my interpretation, I would have to think that's what I was saying.

**Mr. M. N. Davison:** I congratulate you because that's my position and it's a good position. I look forward to hearing that.

**Hon. Mr. Bennett:** That is not to say there will not be increases in the future that will be predicated on income.

**Mr. M. N. Davison:** I'll be very happy to see that position adopted publicly in the next six weeks.

**Hon. Mr. Bennett:** You're not alone. I can tell you there are a few other organizations out there just dying to see it because of their bank balance.

**Mr. M. N. Davison:** I appreciate your sensitivity and your willingness to act on that.

**Mr. Hennessy:** All I wish to add is that I wish to compliment the minister for looking into this matter long before it was raised at this meeting.

**Hon. Mr. Bennett:** Mr. Davison, do you want the agreement just for First Place?

**Mr. M. N. Davison:** I want the agreement for First Place. I would also like to see any other such agreements you have with private nonprofit corporations for the provision of housing in the Hamilton-Wentworth region. I want to see if they have these same kinds of clauses.

**Hon. Mr. Bennett:** As Mr. Riggs says, one would be the same as the others because they're identical.

**Mr. M. N. Davison:** They're identical? They're identical, I take it, across the province then.

**Hon. Mr. Bennett:** Yes, standard agreements.

**Mr. M. N. Davison:** Then the one agreement from First Place should be fine.

**Hon. Mr. Bennett:** Or any other agreement for that matter, because it would have been translated in the same terms.

**Mr. Dukszta:** I have two questions, one general question on Ontario Housing Corporation and one particular one. The particular question on Ontario Housing Corporation will come later.

On the general question, I first have to tell you the situation. I'm certain you know of it, but I will bring it up nevertheless. You seemed surprised when I mentioned section 35(1) of the Planning Act. It's not a particular question in the area of planning; it's a more general question about a particular situation which has occurred in Toronto and it refers also to Mr. Young's and my resolution of a week or so ago.

As you know, in Metro, specifically, the situation has occurred in respect of group homes where certain municipalities have passed restrictive bylaws that do not allow for the building of group homes that will deal with the retarded, ex-psychiatric patients, prisoners, drug addicts, et cetera.

Because of the particular action of Etobicoke, York and partially Scarborough, it has led to a situation in which two areas of the city of Toronto are now concentrated areas in terms of group homes—which are Parkdale, as you know, in ward two of the city of Toronto, and the Annex. In both those areas there are now probably rather many of the group homes, sometimes as many as two, three or four on one section of a street. It has produced a semi-ghetto-like situation, with the reaction from the community I represent that that situation cannot exist.

I'm going to detach those remarks, because it's none of this minister's responsibility, from the difficulties that have occurred with the process of institutionalization—which are the Ministry of Health's responsibility—in which the group homes have been created; homes that have no real standards or quality of care, where people have been pushed out of the various institutions, specifically psychiatric ones, and have ended up in this backwoods in the community. As I said, that's not really your responsibility.

But it is your responsibility that the Planning Act, as it is right now, allows for—and I would like you to comment on this—a municipality or township, such as Etobicoke, to pass a restrictive bylaw which says they will not allow group homes in that area. The effect would be that the people who have problems, whether ex-prisoners or ex-psychiatric patients from that particular area, and

who would need continuing care either in terms of a group home or sheltered surroundings, such group homes would have to be created in and built only in the areas where there is permissive legislation such as there is in the city of Toronto.

This is a discussion that has been going on or a number of levels: there is a committee in Metro chaired by Gordon Cressy; a number of social agencies have been involved in it.

This same question cropped up during the discussion on the closing of Lakeshore Psychiatric Hospital and, as you probably are aware, the member for Yorkview (Mr. Young) introduced a resolution with me which had a number of aspects to it. One of the aspects was, of course, a change in section 35(1). You also will be aware that, of course, it was nixed by the government by 20, or whatever number of you got up and nixed it.

But in respect of your responsibility in relation to the Planning Act, would you be prepared to consider that that particular section needs to be changed before the total rewriting of the act that will occur?

That's my first question and then the second one will be on the study.

**Hon. Mr. Bennett:** I don't recall, Mr. Chairman, any request at the time by municipalities to look at 35(1) for amendment. While I am somewhat aware of the confusion that seems to prevail at times within this great metropolitan area on whether there should or should not be group homes and so on—and I suppose Toronto should not be isolated; there are other communities that also have the same difficulties—the permissiveness, I think, still has to prevail with the municipality. I again say to you that if you are anticipating we make an amendment that would virtually compel group homes, then I would have to ask you what we mean by municipal autonomy within planning regulations in their own jurisdiction.

**Mr. Dukszta:** Mr. Minister, the permissive legislation, the permissive bylaw exists only in the city of Toronto so that, in effect, anyone who wants to set up a group home can set it up. And they have obviously been set up in those two areas. That, I think, is a mistake in the act because it gave a power not to be permissive but to be extremely restrictive and, in fact, discriminatory to a number of municipalities. I think in that sense Etobicoke, which does not allow group homes, is discriminatory against the disadvantaged adults or children who have psychiatric or other problems in its own community.

You have given permission for them to be restrictive against the problems of the com-

munity. I am saying to you, no wonder they will not apply for a change. A change has to be done from the point of view of overall provincial responsibility so that there is a provision for these types of group homes to be built for the people who live within their own area. But that law allows them to be restrictive, and I'm saying to you that it is a provincial responsibility. Your responsibility as the minister is to change that.

**Hon. Mr. Bennett:** I am not so sure that it's my responsibility. I'm not quite following you in all the course of the conversation, but Mr. Wronski, who is the planning director, may have comments to make because he has been closely associated with some of the discussions and debates that have gone on for years in this great metropolis.

**Mr. Wronski:** May I add to what the minister has commented on? There are indeed ongoing discussions between the social policy field and our own ministry, which as Mr. Dukszta properly stated are, to a certain extent, in charge of the municipal zoning. We don't have absolute power to impact on a municipality, but we can advise.

Indeed, the advice has gone very far, to the point that municipalities have now been advised that a group home is a permissive use and should be so called as a policy of an official plan. The actual distribution and location of group homes is then controlled by zoning bylaws.

The model bylaw which we have designed and is now being discussed with the Municipal Liaison Committee, specifies probably some restrictions on group homes but only in the relationship of distance between two group homes within the same locality. So we don't have a strong concentration, where a whole small street is occupied by group homes.

There is also another issue, which I think Mr. Dukszta is probably aware of. There is a recent Supreme Court of Canada decision dealing with zoning bylaws, where the discriminatory zoning bylaw has been absolutely invalidated if it restricts occupation of any dwelling to a specific group of people, whether they are retarded or ex-alcoholics or whatever the description may be, or even a single family.

The regulation, which therefore will have to follow this kind of decision of the Supreme Court of Canada, will have to have the bylaw restricting the occupancy of the dwelling, probably by the space available for the number of people in that dwelling. In fact, I think that decision, as well as the model bylaws and the action by the MLC and our-

selves and the social policy field, will probably take care of the matter you have raised.

**Mr. Dukszta:** Mr. Wronski, you're of course aware that there were amendments in the Planning Act a couple of months ago due to that decision from the Supreme Court. My own and other legal people's opinion is that this action does not outlaw the restrictive practices of Etobicoke and other areas—I'm using Etobicoke as an example—against group homes and that it needs in fact a proactive action on the part of your government in planning to make sure that people who live in Lakeshore and who have become sick can actually then live in a group home in Etobicoke or Scarborough or Oakville and not necessarily have to move towards the inner city of Toronto.

**Mr. Wronski:** I don't know whether the government, which is amending the legislation at this moment, could do any more than the courts have in their decision. If Etobicoke's bylaw still continues after the court's decision, then obviously it should be tested in court.

**Mr. Dukszta:** I'm not sure who wishes to test it, but an easy way of doing it of course is to introduce an amendment under section 35(1)—the House is now sitting—and it could be discussed to make sure for the future. You cannot disband all the group homes. I wish the minister was here, because obviously the minister has to introduce such an amendment to that particular section which would allow the people who are concerned for the social agencies and others to create and set up group homes in the areas for the people.

I'm only talking of the people who actually live in that area who are forced to move the moment they are discharged from one of the institutions but are still in need of continuing after care. That, I imagine, is also the continuous concern expressed by the Cressy group and other social agencies in the whole of Metro.

As you also know, only a couple of weeks ago the question was raised in the Ontario Municipal Board. It's on many levels now. I think it's moving now to a point where the minister must now take action. I think we're persuaded that the minister is supposed to take action. At least we have so persuaded ourselves.

**Mr. Wronski:** I don't know whether we are, Mr. Chairman.

**Mr. Acting Chairman:** I think you'll get a report anyway.

**Mr. Epp:** You'll get that agreement from your staff.

**Mr. Wronski:** The staff agreed. I have not given away anything, Mr. Chairman.

**Hon. Mr. Bennett:** Is he starting to retreat? What's he starting to retreat for?

**Mr. Wronski:** I think that in the fullness of time—that is, next Wednesday—we shall report to the member what the legal opinion on the whole issue is; whether section 35(1) would require any amendment or whether it's sufficient. You cannot legislate for contraventions of the law.

**Mr. Dukszta:** No, I wasn't thinking of that, but okay, I'll accept that. I won't continue with this particular question. I was talking in terms of making sure that people can set them up and so a municipality cannot use that section against any approach towards a community-psychiatric, et cetera.

I take your point that you will look through all the legal implications and report on it next Wednesday.

**Hon. Mr. Bennett:** I'm sure that you two being from the same homeland that he'll do an excellent job in responding to your question in English.

[4:15]

**Mr. Dukszta:** As long as you give him permission, yes.

**Hon. Mr. Bennett:** It depends in which language he happens to respond. If I know it's in Polish, I know he's trying to put something over me.

**Mr. Dukszta:** Over me or over you?

**Hon. Mr. Bennett:** No, you can read it; I can't. You may not understand what Wojtek writes because I have trouble understanding it even in English.

**Mr. Dukszta:** You have now suggested that I don't understand English and Polish, so you've left me—

**Hon. Mr. Bennett:** No, I did not wish to insinuate that at all.

**Mr. Dukszta:** You did, you did. But I was not going to react to it.

**Hon. Mr. Bennett:** I didn't. Never would I tread on such dangerous territory.

**Mr. Dukszta:** I'll have to speak to you in French, I see.

**Hon. Mr. Bennett:** I couldn't understand that either.

May I just say to the committee that they might be interested in knowing that the federal Treasury Board today met and passed something which, I think, is of interest to us here; a reduction in the NHA minimum term of mortgages from three years to one year. So, they won't lock people in on the high interest

rates of the day. I think that's rather positive. I'm pleased to hear it.

**Mr. Epp:** Is that according to your urging?

**Hon. Mr. Bennett:** My Premier's and the Treasurer of the province's.

**Mr. Ashe:** That's reacting. If it had been his predecessor, it would have taken us a year.

**Mr. Dukszta:** After this PR, could I continue?

**Hon. Mr. Bennett:** I wanted to get a positive note in here instead of—well, go ahead.

**Mr. Dukszta:** Now an overall question in terms of your intentions towards Ontario Housing Corporation.

I would like to hear your reaction to the policy statements made in the document I quoted extensively, which is Assisted Housing in Metropolitan Toronto: Options for the Future.

I understand people from your ministry—I believe Mr. Riggs—were intensely, immensely involved in influencing people to produce that report and I would like you to comment.

**Hon. Mr. Bennett:** You really have that bug in your bonnet, haven't you? It's the only place we could have ever convinced Metro to do anything in our direction.

**Mr. Dukszta:** Could you try to answer the question? How far you have influenced them, is this your policy and what you are going to do.

**Hon. Mr. Bennett:** I haven't influenced them at all except that we accept some of the statements they have come forward with. We think there's a possibility—and I haven't the report in front of me to go through it—they have come to the realism that there are, as I said earlier, some changing conditions in the marketplace. And there will continue to be changing conditions.

I would venture to say to the member, and members, that over the next number of years we are going to—if we want to use a little bit of foresight and try to analyse incomes and other pensions and so on—experience a rather interesting change in the demands that will be made on public housing. Today some of the real pressures for the family units in public housing or publicly supported housing are not as great as they were three, four or five years ago, whether they be in the private sector or the public sector, and we see that situation diminishing rather noticeably over the next short period of time. Pressures will start to mount from the seniors' side. Mr. Riggs and others within the ministry who have read over the report, as well as myself, think that likely; Toronto and the Metro area

have started to analyse some of the conditions they are going to have to contend with over the next number of years.

Frankly we did not have an influential position in determining what went into that report.

**Mr. Dukszta:** Did Mr. Riggs attend all the meetings? Some of the meetings?

**Hon. Mr. Bennett:** Now, you'd have to ask Mr. Riggs that.

**Mr. Dukszta:** Yes, I will. Through you, Mr. Minister, to you, Mr. Chairman, to Mr. Riggs.

**Hon. Mr. Bennett:** I'm not the monitor in the ministry. I don't ask for daily attendance, but I'll ask Mr. Riggs how many meetings he was able to attend.

**Mr. Dukszta:** And what was his participation and influence on the report?

**Hon. Mr. Bennett:** Proceed, Mr. Riggs.

**Mr. Riggs:** Mr. Chairman, through you.

That document, which I believe you read from, has a series of options. There was a proposal from the province; there was another proposal from Metro. I think you're also referring to the fact that Metro suggested that perhaps the OHC portfolio should be converted to nonprofit over a period of years to bring it into a more integrated approach. And there was another proposal from Metro that we should split off the portfolios. They would take the seniors and OHC would retain the family housing and form a Metropolitan Toronto housing authority.

Both myself and Mr. John Burkus, who is from the policy secretariat, attended the majority of the meetings with Metro. Many of the concepts in there are Metro's. But the proposals put forward by the province are, of course, the province's proposals. I would say to the member that all those proposals are under review by both parties, as a group, at this time. Nothing has been either accepted or rejected from the various proposals that I know about.

**Mr. Dukszta:** I am also aware that a number of meetings have been set up, because I was informed by Mr. Cressy. I know that Mr. Godfrey and almost everyone else has been involved in various discussions and I accept that it's not fully settled.

What I am interested in, Mr. Minister, is having you spell out some of the options you believe we should be going towards in respect to the autonomy of the Ontario Housing Corporation; whether you intend, in fact, to devolve it ultimately; what you would do if you fully implement what you call the concept of integration here; and what would happen to 75 per cent of people who live now in OHC. What would you do with them?

**Hon. Mr. Bennett:** I think my comments this morning in my opening remarks and on other occasions so far clearly indicate the proposal as indicated there—the opportunity of converting OHC stock into a nonprofit, integrated portfolio—common sense alone tells us it's not going to happen overnight. It will not likely happen over the next 10 years. But I will tell you frankly there will continue to be a problem if we don't try to make some move in that direction that will reduce the high visibility and the criticism that comes constantly from even the people who live in developments—that there are too many of the same income level and so on and there's not too many of the same income level and so on and there's not enough variation.

It's a feeling that exists with the people themselves and with the municipalities and, indeed the social planning councils around the province would not disagree that we really have put a real social problem all in one area and that we should try to diversify it.

Frankly, even if we could convert it tomorrow we wouldn't have the capacity or the capability to do it. That's being very open and honest with you.

I would hope that we would see some inroads made in it over the next 10 years, the same as we have by limiting the number of rent-supplement units in private nonprofit or public nonprofit housing corporations. There we save 25 per cent of them for families and 50 per cent maximum for seniors, because we think it is very important that we not continue the type of criticism, and at times public attitudes, that prevail towards large accumulations or large numbers of units of public housing.

As a former chairman of planning in the city of Ottawa and one who had a part to play in some of the public housing—I have said this in Ottawa and I have said it in other places—I admit if I had the opportunity today to change some of the things we did, I would likely change it. At the time, however, we were looking for thousands of units; we couldn't find them spread across the city; we didn't have a private sector that was willing to participate in a nonprofit or any other kind of a corporation, and it was incumbent upon the municipality and the province to provide that type of accommodation—subsidized accommodation—and relatively quickly.

I know that if you had the option and the opportunity in one or two places in Ottawa—and I suppose that applies here in To-

ronto as well—you might back down and have those situations changed considerably. I think the nonprofit situation that now confronts us and the opportunities we have in it will afford to governments at all levels a really golden opportunity to reduce the criticism, to blend or integrate the various types of people and incomes, whether it be single-parent-led families or whatever else, into an overall community. I think it will reduce some of the social problems, some of the school problems, some of the security problems and so on. I am convinced.

If you are anticipating that it's going to happen instantaneously, I can tell you I will be long gone from the Ministry of Housing—will likely be the minister of something else—before it really has a very noticeable effect.

**Mr. Dukszta:** I am aware, Mr. Minister, that if you accept what this particular committee has recommended it will take some time to accomplish. What I wanted to know and to hear, and I will repeat a couple of questions, is your intent—

**Hon. Mr. Bennett:** I accept that the—

**Mr. Dukszta:** —your intent. I will repeat a couple of questions to discover exactly your intent for the next—not 10 years when your ministry, as you say, may be abolished, but the next two years. I accept one point that you have made: that the present development—which I think was a mistake—towards concentrating people of a particular need in one area, led to many difficulties, both with the people who have been so discriminated against—in fact put into a ghetto—and the communities which house those sections. That's one thing. With a change in the nature of the various housing estates, maybe partially by—just offhand—people who buy equity and change in the different types of individuals who live there, you can attempt, potentially, to establish some kind of tenant involvement in co-management. This would solve many problems which you have not considered. There are numbers of ways to solve the problems that exist at the moment in those concentrations of Ontario Housing Corporation hordes.

To return to another point, my concern is that the government must not withdraw from the area of subsidized housing. I am saying this is possible because when I look on page four, at those four points I have quoted to you already, they are so incorrect and so distorted in their assumptions that the obvious conclusion from it is that you have to withdraw.

Let me quote some of the distortion: "It is difficult to believe that there is a pressing

need for the construction of new units for persons of low income." This is the first assumption. You immediately have to say who is described as being of low income and what kind of target group we are talking about. Are we talking about our situation in Toronto or in a large city? Where does a statement like that come from and who has invented the statement that there is no further need for housing for low income people?

The second one: "The supply of low-income units in Metro for both families and seniors far exceeds on a per-household basis supply in other parts of Ontario." It may be true that it exceeds on that basis but Toronto has a concentration of low-income people and it may be a little better provided for, but that doesn't necessarily mean it is provided as it should be in comparison with others. That's another assumption that has no factual basis.

Then, "The waiting lists are not increasing." You disagree with this but the waiting lists are easy to manipulate and I can give you an example. Existing OHC tenant admission criteria discriminate against those in need of housing; for instance, low income but childless couples and singles under 55 years of age. I think OHC is often simply arbitrary, if not vindictive, in administering policy against those people. It is easy, administratively, to manipulate who—and you object to the word but it's true. If you don't admit certain people who are childless, then you don't have a waiting list because the need grows differently from your administrative policy. You say there are no vacancies in the system.

**Hon. Mr. Bennett:** Oh, no.

**Mr. Dukszta:** There are vacancies in the system? Maybe there are. Again it's easy. If you don't give a house to someone, if you have a waiting list of many, many thousands of people and you decide not to give them a house for various different, arbitrary reasons, then there will be a vacancy.

The last thing stated in the document, which you have just repeated, is fallacy two: "Production by nonprofits may be sufficient to meet future needs in the immediate future." It's a very small percentage of the market. If you are going to rely on that and separate yourself from OHC there are going to be real problems in terms of provision of social housing.

**Hon. Mr. Bennett:** I will answer your last question first; that is, were we going to rely on nonprofits supplying the housing market in the social-assisted program be-

cause there is no other program available in the Dominion of Canada, or Ontario, for providing housing in major metropolitan areas? I trust your remarks reflect more to the major Metropolitan Toronto area than to any other part of our province. That's the program we've agreed on with the federal government. If we are ever going to get to integration, it's not going to be by continuing what we have done in the past. At times there have been mistakes, and I admit that we made mistakes, but hindsight is a hell of a lot better for some of us than foresight. I don't wish to be included in that "some of us", because I believe that hindsight should prove to be of some value in trying to correct problems we encounter in the future.

You said we must not withdraw. I thought I made it very clear to you, in responding to your remarks this morning, that this government, this ministry, the government of Canada and I also think I can speak to some degree for the municipalities of Ontario, have not backed away from their social commitment to provide publicly-assisted housing through the nonprofit private corporations or the co-ops.

[4:30]

We believe that we have a responsibility. We'll continue to honour that responsibility as fast as we think the need is there.

I want to draw to your attention and to that of the others that in Ontario today we're talking of something in the range of \$280 million a year in subsidization for rents within public housing and co-op, nonprofit units at this moment. That is a fairly substantial sum of money by anybody's counting ability. If you go back 14 or 15 years the whole subsidy program in Canada cost then about \$20 million. Today, in Ontario alone it costs \$280 million.

Frankly we are not withdrawing—and I emphasize that. This government is not withdrawing its position on supplying socially supported housing. While to accommodate it and to create it we might be on another course of action which will cost less in the final analysis because the reduction in social programs, or the social disturbances we have made with some of the projects, we think we're on the right course.

I would have to say to the member, when you get 10 out of 10 provinces on that course, it must have some degree of understanding with the various forms of provincial government in Canada and they cross pretty well all party lines except one at the moment. Frankly, the low-income groups will continue. You can talk about whether

we should expand the eligibility list and that's really what you are talking about; that's really what you are now approaching.

I suppose what we should ask is, "What is the capacity of the people of Ontario and Canada to continue to expand social programs that are, at this moment, with their criteria, becoming financially unbearable." It was never the intention of the housing corporation in the past, and I have never had such a response or feeling from very many people, that we should now start to say to the government, "Since we have to a great extent been able to satisfy a good deal of the social housing requirements by the criteria we have established over the last number of years, which have been altered and amended to accommodate changing incomes and changing social climates, you truly are responsible for everyone from the womb to the tomb," because I don't think we are. I think we have to become realistic; that is a capacity within the system to go only so far.

You talked this morning about the certain percentage of people who make \$25,000 or less in this country and said that more and more responsibility should be thrown on to the shoulders of the balance. You said that something like 73 or 75 per cent of the people make \$25,000 or less. What you are saying is that 24 per cent, the balance of the population, better start making a hell of a lot more so they can accommodate the programs you think should be put in place for the other 75 per cent. Let me tell you, the camel's back has had the last straw put on it in a lot of cases.

It's great to talk about expanding; there is not, in my opinion—and I guess I have to share that opinion with the Treasurer and a lot of other people in society today—the capacity within the public financing schemes to continue to expand the eligibility list.

You talked about childless families, two people, married or otherwise, who wish to go into public housing. Within the public perception I really don't think we have, generally speaking, responsibility for those individuals.

You know, we have been asked why we don't allow people in at virtually any age, from 18 years, which is the limit we presently place on it. It's amazing; I have members of the House who today would like to know why we don't allow people in at 16 and 17 years of age.

Government had better come to its senses at some point as to where we stop this program and where the family still has a responsibility, and not the government, to

provide certain accommodations and to take over financially. I know there are some members would virtually give away the store and hope like hell that some day, tomorrow, somebody would give them change for it.

Now that's the problem we are faced with. You can expand the eligibility list all you want, as long as you don't suck and blow at the same time by telling me that government has to reduce its expenditures so taxation on the individual is not that much higher and at the same time tell me we should increase the expenditure within my ministry and generally speaking across government—because you are talking about interest rates being subsidized provincially by billions of dollars—because it cannot be done.

You cannot have both of those great worlds—providing more services at a reduced cost to the taxpayers. I am one who agrees that deficit financing has to come to a halt. I think your party likely agrees too, as does the Liberal Party. Let's not continue to be around here and appear to be great fellows—that we're going to provide all these services and at the same time preach to the taxpayers that we are going to reduce their taxes—because it's not reality.

The one thing a minister has to come face to face with is reality. How much money can he possibly squeeze from the Treasurer of his province to run the portfolio he has and to provide those things within the community that are essential.

I tell you right now that if someone is of the opinion we should expand the eligibility to allow virtually anybody from 18 years of age to whenever God should take them from the face of the earth and put them into public housing, the capacity is not within the system to do so. If you have complaints now that we don't have adequate public housing, or socially supported housing, within the various jurisdictions of this province, then we will be a long way from supplying the need. I can only say to you, very frankly and sincerely, that we are going to develop the programs within the criteria we have established and do the best we can.

I think we have accomplished a great deal and I say to you again, according to the criteria we have at the moment for eligibility of public housing within this province and speaking more specifically within this jurisdiction of Metropolitan Toronto, the waiting list is down and the number of units coming on stream we believe will satisfy the requirements of the market. Indeed they will not satisfy them in all areas, there are going to be some nonprofits developed in some areas, but overall, with the turnover and the non-

profits and the co-ops coming on stream in a rent supplement program, we believe, and Toronto believes, it is going to be adequate to take care of it.

Let me emphasize one situation which gives me a pain in the neck at times. A municipality runs away with the idea that they are going to do some manipulations with a developer. I'm not going to mention the specific project, but there is one here in Toronto which we got wrapped into not so long ago. All of a sudden the development was taking place and—this is to show the lack of co-ordination that can result by council not referring certain problems to a housing authority, or to their own metropolitan housing corporation, or to the OHC—they decided they would make a deal with an individual to build a high-rise apartment building, providing 125 of the 500 units were put into rent supplement programs to look after people on the OHC and the Metro housing waiting list.

That was great. Nobody consulted us; nobody did a thing, until the day that the building was virtually ready for occupancy and then all of a sudden the chickens came home to roost. They found out that neither our waiting list nor Metropolitan Toronto's waiting list had anywhere close to 125 families who wanted to live—and that comes back to your Parkdale situation—in this particular area of the city of Toronto. But they had the developer committed to something they had never proved.

The only thing I'm trying to say is that it's great for people to go galloping off in their directions and wanting to change rules and regulations; as long as they don't have the financial commitment to it, it's very simple to do.

**Mr. Dukszta:** Mr. Minister, one correction. I did not say that 75 per cent of the people of Ontario who make under \$25,000 a year—

**Hon. Mr. Bennett:** What did you say then?

**Mr. Dukszta:** I did refer to the 75 per cent, but I didn't say they all need support, or that all need to be in Ontario housing. All I said is they cannot in their existing financial situation actually afford a house any longer; that takes in three quarters of the people. Now you say that's all right—

**Hon. Mr. Bennett:** The implication wasn't there.

**Mr. Dukszta:** —I say this is not all right, but I did not say that they all need to be in Ontario housing. What I—

**Hon. Mr. Bennett:** The implication wasn't there, though.

**Mr. Dukszta:** No, I'm not saying that everyone should be in Ontario housing; don't be upset about that. I know what I am saying.

**Hon. Mr. Bennett:** I didn't say Ontario housing — I said in public-supported housing.

**Mr. Dukszta:** There is some need for a distribution so the people who are on low income can in effect live decently. It doesn't mean 75 per cent of the people. We have a difference of opinion. I believe in a redistribution of the wealth, you don't. Okay.

**Hon. Mr. Bennett:** Oh.

**Mr. Dukszta:** That's different in terms of parties, and ideology. I believe in deficit financing, just as much as the party. You believe in orthodox Hayekian type of economics which means everyone is in the vicious market on their own and only those who have money survive. That's fine.

**Hon. Mr. Bennett:** Oh, malarkey. What the hell are you talking about?

**Mr. Dukszta:** Let's not get into an ideological discussion, because I'm just as ideological as you and I don't want to go into it. But I am interested—

**Hon. Mr. Bennett:** You have to be a professional person to survive—

**Mr. Dukszta:** You have to be a capitalist to survive in our society I would say, more than a professional. One final question about the eligibility list and then I yield the floor to Mr. Epp.

**Mr. Hennessy:** In all fairness, you said you were going to ask one question—

**Mr. Dukszta:** That is one question, but there were many supplementaries.

**Mr. Hennessy:** The man is waiting who was kind enough to give you his spot—

**Mr. Dukszta:** Oh my.

**Mr. Hennessy:** Mr. Smith is waiting. You want to be here for the week.

**Mr. Dukszta:** Well, we have only one—

**Mr. Hennessy:** There are other people waiting and you asked him and he was courteous enough to give you the time that I wouldn't have given you.

Interjections.

**Mr. Acting Chairman:** We've had a motion to adjourn. I don't think we're going to accomplish that much. We've had five hours today. I think we'll adjourn for today and we'll start on the—

**Mr. Epp:** Mr. Chairman, with all due respect, if Dr. Dukszta could finish this up in about two minutes then I'd like him to finish it up and we could start with my comments on—

**Mr. Dukszta:** The question is: would you not change?

**Mr. Epp:** Just let's make it very short—with all due respect.

**Mr. Dukszta:** The last question, really. I believe the eligibility list is what we're talking about. That is related to how low an income you consider decent enough for people to live on. I believe your standards are so low that everyone is left out and you are not delivering what your ministry is responsible for, which is the provision for social housing for a number of low-income people. And now I'm finished.

**Hon. Mr. Bennett:** Mr. Chairman, just to wrap it up, the doctor says our criteria are so restrictive—not low, restrictive I gather is what he is saying—that no one is eligible. It seems a hell of a surprising thing to me that 93,000 units, plus about another 20,000 in the private sector on rent supplement, are filled with people who met the criteria as established by our standards. This would indicate to me that those on the lowest income and those who are truly in need of support are there.

The criteria have changed, doctor. As I set out this afternoon, you and I will likely have a great difference of opinion in philosophy about how public housing should be run. I tell you frankly your comments about my lack of support for it are wrong. I have supported it and have tried to promote it for those who I truly believe, and which the criteria of our government believe, are in need.

**Mr. Dukszta:** Which is virtually no one.

**Hon. Mr. Bennett:** We have 300,000 people in public housing in Ontario. If that is virtually no one, in the face of a population of eight million, then your mathematics are somewhat out of whack, like the figures you usually use.

**Mr. G. E. Smith:** Mr. Chairman, for the record may I indicate that I, like Mr. Epp, am waiting and would like to have consideration next Wednesday?

**Mr. Acting Chairman:** Yes, you may for the record indicate that you are waiting. Anything else?

We'll adjourn on vote 2201 then, until next week, when we'll note that Mr. Epp and Mr. Smith have requested time to speak.

The committee adjourned at 4:43 p.m.

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**From the Ministry of Housing:**

Wroński, W., Assistant Deputy Minister, Community Planning



# Legislature of Ontario Debates

## Official Report (Hansard)

General Government Committee

Estimates, Ministry of Housing



Third Session, 31st Parliament

Wednesday, November 14, 1979

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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# LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 14, 1979

The committee met at 10:10 a.m. in room 228.

**ESTIMATES, MINISTRY  
OF HOUSING**  
(continued)

**Mr. Chairman:** I call the meeting to order. We have a representative from each of the three parties.

I want to do two things at the outset. First, I wish to raise the question I think was alluded to at the beginning of last Wednesday morning, and that is if it was the committee's wish to devote some special time to the Townsend project. We should discuss that now.

Secondly, just to get it clear in my mind as I was not here last Wednesday: it is my understanding, Mr. Epp, that you were on the list or you were speaking.

**Mr. Epp:** I was going to commence speaking.

**Mr. Chairman:** You were going to begin, all right.

**Mr. G. E. Smith:** I think I indicated I would follow Mr. Epp, for the record.

**Mr. Chairman:** We only have five hours left and we have quite a number of votes ahead of us.

**Mr. Dukszta:** We have enough things to bring up under these estimates.

If we are going to do another presentation on Townsend, I would prefer to have the time spent on the things we discussed, to question the minister and then go into Ontario Housing Corporation and other things.

**Mr. Epp:** Yes, and if there is time then go on to Townsend.

**Mr. Dukszta:** Yes; if there is any time left, we will do it then, when the major business is over.

**Mr. Chairman:** Then if there are no other matters, we will begin with Mr. Epp.

On vote 2201, ministry administration program:

**Mr. Epp:** Thank you, Mr. Chairman. The first question I would like to pose to the minister has to do with OHC, a subject we were discussing when we recessed last Wednesday.

I want to deal specifically with the security system.

[10:15]

As you know, there have been a number of problems within the ministry and a number of employees have been very upset with the security system. In fact there are a number of people who feel you are not monitoring the security at all. I would like to find out from you, sir, what kind of monitoring you do. First of all, how does the security system operate, secondly, are there tenders to the various security firms; and thirdly, how they are monitored once they are tendered?

**Hon. Mr. Bennett:** Are you going to answer that, Bob, or do you want Mr. Beesley? Since this is a vote that should really come under Ontario Housing Corporation, I have no objection to how you want to handle it, but Mr. Beesley, being the general manager for Ontario Housing Corporation, could go into it.

**Mr. Epp:** We were speaking about OHC the other day so I thought I would just pose that at this time.

**Mr. Beesley:** Mr. Chairman, the question relates to security. As I understand it, Mr. Epp, you want to know how the companies are selected that provide the security on projects?

**Mr. Epp:** How they are selected; and secondly, how they are monitored, how close an eye you keep on them to make sure they do what you are asking them to do?

**Mr. Beesley:** On the process of provision of security, I think you would understand we do not provide full-time security for 24 hours; we do not provide it at all on many projects. We believe, like any landlord in Metropolitan Toronto, or any community in which we have projects—over 300 municipalities—that there is a responsibility on the part of the local municipal police department to provide the same service to residents, on calls, as they would in any other endeavour or any other private endeavour in those communities. The situation is not dissimilar in Metropolitan Toronto.

There are some larger projects that the corporation has where we still provide full time, and in some cases evening security coverage. We use two companies. Commun-

ity Guardian Limited, is a company which provides service exclusively to OHC. It has a complement of about 100 project officers. Another company, United Security, has a number of other projects and its complement directly involved with OHC would be about 50 to 55 officers.

The security provided varies. We could have what you might call a door attendant or somebody who is waiting at the entrance in the lobby; but mainly it is of the project officer type, where the individual member would circulate through the project during his shift, which might be eight to 10 hours. Since most of this security is at night, anywhere from 4 p.m. to 2 a.m., naturally they are not monitored on a continuing basis, but we do have project managers who drop into their projects infrequently in the evening to observe the activities.

We do have a security specialist on the Metropolitan Toronto housing branch staff. The training that officers receive is reviewed by the corporation to ensure they are adequately trained for the responsibilities that they have under contract.

The contracts with Community Guardian have been in vogue since 1970, and the arrangements we have with United Security have been in place about five or six years.

**Mr. Epp:** Do you tender these?

**Mr. Beesley:** No.

**Mr. Epp:** So it is kind of an open season. You don't really have hard and fast discussions with them as far as their agreement is concerned, as far as the contract is concerned, as far as other people bidding on the project?

**Mr. Beesley:** The Community Guardian contract is, as I mentioned, exclusively an OHC operation. They direct 100 per cent of their activities towards the OHC projects.

**Mr. Epp:** But that is a private firm?

**Mr. Beesley:** It is a private company, but their budget is approved and reviewed, and monitored on a continuous basis.

**Mr. Epp:** Don't you think it would be beneficial to the people of Ontario to have these projects tendered rather than to permit one company to have all their eggs in one basket?

**Mr. Beesley:** Security is a debatable thing. You can have various training of officers, various levels of salary paid by the companies to the particular employees. We are very concerned that the quality of service provided is the maximum. This is not necessarily unachievable through a tendering pro-

cess, but the actual employees who appear on the scene every day are a vital ingredient.

Where you have a private company that is servicing other contracts, there is obviously a tendency to provide their best staff to perhaps some of the more lucrative contracts. Through the use of Community Guardians, we know we have the same employees appearing every night at the same project. So they have been able to develop a rapport with the tenants and the staff on those projects. This is not possible through the private company that is directing its resources to many contracts they have in the private sector as well. You end up having different employees appear at different projects every night. It is not a consistent way of developing a rapport with the tenant population.

**Mr. Epp:** What kind of monitoring and what kind of checking of logs do you have where people are expected to report at certain projects, so that you know they are there during the time for which they are paid for being there? I am sure there are very generous allowances and so forth. What kind of security do you have of making sure the people all over Ontario are getting their money's worth out of it?

**Mr. Beesley:** There are daily logs that are reviewed by the project manager the next morning when he arrives at his office as to the activities of the night before; there are reports on occurrences or other matters that the officers would report.

**Mr. Epp:** The reason I asked this question is that my information of about six months ago was that there was considerable laxity in the way this was being monitored, that people were saying they were on a project and giving security when in fact they weren't there at all; and there really wasn't any supervision by the ministry to make sure the ministry was getting its money's worth out of it.

I am wondering how tight your system is in making sure that if you are paying money for people being on a project for five hours or 10 hours that they are there.

**Mr. Beesley:** We are satisfied that the employees who book in and file reports are on the job. If you are making some specific reference to the allegations that were raised perhaps eight or 10 months ago concerning the United Security Company, this was fully investigated, as you know, by the Ontario Provincial Police. They found no evidence of wrongdoing on the part of the company with respect to its provision of service to Ontario Housing Corporation.

**Mr. Epp:** How often would your supervisors go around and check to make sure they are on the job and so forth—people from the ministry?

**Mr. Beesley:** It wouldn't be that frequent, but it would be done on a non-frequent basis so they wouldn't know when they might be there on a particular night. I can't give you a specific instance like once a week or once a month or three times a month, but it is done on an infrequent basis.

**Mr. Epp:** It is so infrequent that you really can't say for sure it is being carried out.

**Mr. Beesley:** You would have to monitor every project every night. You would have to have one employee to check on the officers every night. It would hardly be cost effective.

**Mr. Epp:** Does anyone know that they're coming? Is that a surprise?

**Mr. Beesley:** It would be a surprise.

**Mr. Epp:** Getting back to the giving of these contracts, don't you think the public would be better served if you had competitive bids to give this security?

**Mr. Beesley:** There's quite a range in provision of security. The corporation's experience, where it has been done in other communities, has been that the amount the employee receives is questionable. Suppose the company were to bid on providing 20 employees on as many projects and the rate that the company's bid is on an hourly basis, let's say the rate is \$8 an hour; there's no control as to how much the employee would receive, that is the actual officer who's hired for that particular job, there's no control on how much he might receive out of that \$8 if that were the low tender price.

You would find the quality could vary from individual to individual among those who actually might arrive on the job; with lack of experience or training being major problems. There's a tremendous turnover in the employees in these particular companies. You can see by the ads that appear in the newspapers on a daily basis that these companies are constantly recruiting employees.

Even United Security, which had previously been providing closer to 100 employees, has so many contracts in the private sector now that they really cannot provide the number that OHC want. We are phasing out their involvement and putting more emphasis on the Metropolitan Toronto police system. We pay taxes in Metro Toronto, our tax bill would be close to \$25 million, and we believe that the citizens of Metropolitan Toronto, whether they live in public or private housing, are entitled to the same service.

The Community Guardian service provided is a more sophisticated community-oriented supplement to the Metropolitan Toronto police. They work very closely in the projects.

The point we come back to in the tendering process is that the individuals who arrive on the project are not the same every night. They vary in experience and in training. This obviously and seriously affects their effectiveness in dealing with tenants' concerns on the project and their liaison with the Metropolitan Toronto police.

As I have said, the experience we've had is that the employee who is actually on the job ends up receiving minimum wage, whatever the amount of the bid is that the company tendered.

**Mr. Epp:** I think we're going to agree to disagree on this. I really think the private enterprise system, where there is competition, is really the backbone of our form of government. We feel that whether it's plumbing or security or something, where you have a choice of going to A, B, X or Y companies in order to get your services—for example, it's the same thing when you buy insurance—you are best served.

I was speaking to some people yesterday. They have a fleet of vehicles and so they got different companies bidding on that particular fleet in order to insure them. This person, who's in private business, feels it works out very well. I think that also could apply to the kind of security that you have. I think in developing that contract, in putting out the guidelines for tendering, one of the things could be that you're going to have some kind of stability in the force there, so that you're not going to have new people coming on the property every day. I really don't see the problem that you seem to see with trying to tender.

**Hon. Mr. Bennett:** May I interrupt for a moment? If we were dealing with a straightforward problem it would be a simple thing to go out and tender the requirements for security. I don't disagree with your philosophy on the private sector, it can quite often do a better job than what government can.

**Mr. Epp:** I would think you should agree with me.

[10:30]

**Hon. Mr. Bennett:** I'll tell you, if you had been here last week to hear my remarks in relation to the third party's remarks I think you and I would have been on stream.

**Mr. Dukszta:** It's not a surprise to me that the minister's agreeing with you.

**Hon. Mr. Bennett:** I should hope it wouldn't be. It would be a surprise to me if he thought I was going in any other direction, to be honest with you.

**Mr. Dukszta:** I would die on the spot if you were going in the other direction.

**Hon. Mr. Bennett:** If I thought that was possible I might change for half a minute.

**Mr. Dukszta:** My God, how vicious of you.

**Hon. Mr. Bennett:** Not vicious, just being realistic. A by-election might be a good thing at the moment.

**Mr. Dukszta:** You think you'd get it?

**Hon. Mr. Bennett:** There's always the possibility, with the activities we have in the city of Toronto.

Anyway, let's get back to security, which is not the subject that the third member indicated.

**Mr. Dukszta:** You mean not my security.

**Hon. Mr. Bennett:** That's right. I will cite one or two examples, if I could. We're not dealing with just an ordinary problem, we've got to deal with a group of people who have some idea of what is required socially as well as security.

I recall a tender that was called in one of our communities. A firm that had been working with us—when I say "with us" it was prior to my day as the minister when they originally got the rights to operate—had been able to do a great deal of research and studying, mainly because the people running the security force had prior experience with security in the RCMP and a few other forces. I'm speaking of the partners in the ownership of the operation.

They also had retained the services of a number of young people who had gone through university and had taken philosophy and other types of special social work that would assist them in the security work in which they were now being employed. Obviously, his cost in trying to produce a service for us was somewhat more than just the ordinary security service that you'd find. Let me caption it as the chocolate soldiers, as we used to call them in Ottawa in the general investigation—the others were all dressed in brown uniforms, and all working for minimum wage.

The fact is he developed what I think was an expert or a very high quality service. Obviously, when it went out to a bidding process, his price was somewhat higher on a per unit basis or hourly basis than his competitors'; except we weren't comparing apples and apples, we were comparing an apple and an orange.

Anyway, he didn't secure the contract. He came in and had a long talk with us. He said, "Fine, that's the system. I will find employment for my people somewhere else. Obviously the years I've spent in putting together expertise is of no value to the corporation or to the welfare of the tenants." They had developed a pretty good rapport between their security people and the tenants. You will appreciate that in some of our buildings we do have a few problems, that's why we have security.

We have a greater degree of security than the private sector would ever produce.

**Mr. Epp:** I'm not disagreeing with your having security there.

**Hon. Mr. Bennett:** Right, I realize you're not; the fact is, though, he lost the deal.

The next fellow who came in operated for a period of three or four months. He also came in a few months later to see the minister because of this contract. He would have loved to have bailed the hell out, because all of a sudden he found himself in a situation that he never anticipated in his tendering. He didn't anticipate some of the problems, socially, that he was beginning to encounter.

He thought he was on a straight auditorium security basis, not a housing project like some of the ones we happen to have in certain parts of the province.

Sure you can tender it, but I don't think everyone that tenders really knows all the things they are getting involved in. At the same time we lost the expertise, that went by the board. The difference in dollars and cents was not that substantial, but again it was a matter of who do you take?

I've looked at the security system in Toronto, the Guardian group and so on, because at the time I became minister it was my concern as to how we put security people on. First of all was the matter of the quality of the security people, because there had been several questions asked, both inside and outside of government.

We met with the security people, and particularly with the principal gentleman who had had his training with the Metropolitan Toronto police force. He was highly respected, both by the corporation officials and the police force in Toronto, because he'd worked fairly closely with the Ontario Housing Corporation when he was a police officer. I must admit that I was convinced the gentleman had the mind required to look at it as more than just a law enforcement officer or a security officer. He had to have a number of other ideas on life that would get us over some of the very difficult situations.

I suppose if we went out to a tendering process, we might very well find somebody could produce it at a lesser cost. It's like buying airplanes or anything else. If you go strictly on a tendering basis, when the plane is coming down, you might say, "Gee, this was bought on low tender." That is maybe the same problem we get into. When things go bad, I'll have them up in the House jumping up like jack-in-the-boxes, wanting to know why this is going wrong and that's gone wrong. I used the simple expression—Mr. Epp thought I should go to tendering at the lowest tender, which I wouldn't do, obviously—but the fact remains, here you try to negotiate a deal, keep a fairly close eye on what the costs involved are, and the service it produces is and what we think is the end product that you and I want, as security factors go.

I am not going to say to you, Mr. Epp, or to anyone else this morning that our security is 100 per cent. Nor would I say to you at times there are not some weak points. The system still relies on the human being. I'm sure, even with the quality service we get the odd individual whose temper or temperament is not of the type where he should be working in some of the projects where we have some very high and volatile situations. But we are prepared to look at the tendering again. I would just like to warn members that eventually the minister has to make a decision or the board of directors of the Ontario Housing Corporation has to make a decision as to where the best service is to be obtained that will afford the people of Ontario, the investors in this property, the greatest security, not only to the tenants but to the general taxpayers.

**Mr. G. E. Smith:** I have a couple of questions. While they might not apply specifically to the estimates or the vote 2201, I think they are relevant.

**Hon. Mr. Bennett:** It shouldn't stop you.

**Mr. Handelman:** It hasn't stopped anyone else.

**Mr. G. E. Smith:** Basically, I will try to deal with some of the costs here.

On personnel services, I have read the actual breakdown in this vote, the increases and decreases of complement. I note, though, that the estimates for this year are up over previous years. I assume that is due to increased salaries. Would you care to comment as to the overall result in the ministry as far as complement is concerned? Has it increased in general? Have you held the line or have there been decreases across the board in your ministry as far as complement is concerned?

**Hon. Mr. Bennett:** In the general sense of the word, there have been decreases, Mr. Smith, particularly in the Ontario Land Corporation and the division of the Ontario Mortgage Corporation. In those areas there have been very substantial changes in the number of people working with us. I will call upon Mr. Boates who will give us the specifics as far as dollars and cents are concerned.

**Mr. Boates:** Is the question directed toward any particular area?

**Mr. G. E. Smith:** Just general. I have read in the estimates some of the breakdowns, but I just wanted to get an overall picture, looking at it maybe in percentages rather than dealing with it vote by vote.

**Mr. Boates:** That is pretty difficult to answer for the ministry as a whole. The question is directed to personnel, is it?

**Mr. G. E. Smith:** Yes, for example, personnel services. I assume that covers personnel as well. I don't need specifics.

**Hon. Mr. Bennett:** You are interested, I suppose, more in the reduction of personnel rather than just the dollars.

**Mr. G. E. Smith:** That's right. Have we decreased our personnel, our permanent complement?

**Hon. Mr. Bennett:** Mr. McDonald, can you start with your division?

**Mr. R. M. McDonald:** Mr. Chairman, as far as the Ontario Land Corporation is concerned and the land development wing, in the amalgamation of this land activity, by putting together the Ontario Land Corporation from TEIGA, by taking the land activities for industrial, residential and commercial development out of OHC and folding in the North Pickering Development Corporation and the Townsend activities, we were able to reduce the staff in that activity by 56 people.

As far as the land corporation is concerned, part of that staff, roughly eight persons, went to the ministry finance area in order to carry on the accounting. The actual saving in respect of the land wing was 47 personnel, or in excess of around \$800,000, excluding space and furniture, et cetera.

**Mr. G. E. Smith:** I have one other question pertaining to this vote, legal services and audit services. I have read the briefing notes on that in the votes. I am not interested in the tendering, but how do you obtain your legal services outside of the ministry and the audit services? For example, do you have regular legal firms that do your extra legal work? Do you have legal firms in various towns—I was thinking of Orillia, for example, or Waterloo—that you know do the extra work?

Similarly with audit services—how do you select those?

**Hon. Mr. Bennett:** Basically, all of our in-house legal services come from the Attorney General's ministry. In other words, all of the legal counsel for just about any ministry are seconded from the Attorney General's stable of lawyers, if I can use that terminology. Don't try to put any other interpretation to that remark because you will likely be right.

**Mr. Epp:** How about "panel of lawyers?"

**Hon. Mr. Bennett:** Do you know the one about the rooster and the lawyer? I won't go any further on that one.

The fact remains we do get our legal counsel in-house from them. If we go out of house, for example, for mortgage work or for land work, we do secure lawyers in the community in which the purchase or the acquisition happens to be located.

I might draw to the attention of the members of the committee that in the case of the North Pickering project, when there were certain appeals and counter-appeals and whatever else took place in North Pickering and is taking place there, we got involved in the retention of at least four different firms of lawyers. One firm represented the Ontario ministry, one firm represented a group of clients that had been before the Donnelly commission, another firm of lawyers represented the agents who had purchased the land on behalf of the province, and the fourth set of lawyers represented, to put it in more simplistic terms, the balance of those who felt they had a grievance against the province and wanted to be heard by the Ombudsman regarding an evaluation or reappraisal or reassessment of the land values we had acquired.

Those lawyers, if I recall correctly, were assigned to us by the Ontario Ombudsman of the day, other than the legal counsel that was retained for the ministry. At the public accounts committee not so many months ago—I don't know whether any members here are on public accounts committee—we tried to indicate this more specifically because the largest legal account we have at the moment happens to be North Pickering.

We have gone through nigh on to two years or more of hearings before the Donnelly commission, and it appears no one really gives a tinker's dam how much it costs the taxpayers of Ontario. Our legal bills from the assigned lawyers—not selected by the government—will be into the millions of dollars. I forget the exact sum of money paid to one law firm. I should say I purposely forgot

the sum of money because it staggers me every time I look at it. We are talking about one legal firm whose bill if I recall correctly, is now, something past the million dollar mark.

[10:45]

**Mr. Epp:** That wouldn't be Goodman and Goodman, would it?

**Hon. Mr. Bennett:** No. Eddie might be expensive, but he doesn't come quite that high yet. With a few more success stories with the OMB and so on, dear knows where his bills will end up. Ed usually contributes his services buckshee to the province of Ontario.

Anyway, there are some very outstanding legal accounts for those actions. The others are usually handled in with the mortgages and the land purchases and so on in the normal tariff rate factors that prevail in Ontario in the legal profession.

If you want more specifics on the bills that relate to the Pickering thing, Mr. McDonald may have them.

**Mr. R. M. McDonald:** I don't have the actual accounts here, but three lawyers were retained by the Ombudsman to work on behalf of the complainants in the North Pickering area and, from memory, the three accounts are in excess of \$750,000. We are taking them to the taxing officer of the province to tax the accounts.

In respect of the Donnelly royal commission, from memory, the cost was around \$100,000 in legal activity. In total, the Ombudsman's action, the royal commission action and our payment of the defence of the complainants, which the late John Rhodes and Mr. Maloney agreed to, plus our own legal fees, but excluding the fees for our own in-house solicitors, are in excess of a million dollars at the moment. We hope this matter is now fairly well concluded because we indicated we didn't wish to pay any further moneys for written or oral arguments beyond October 19. We have agreements now with the Ombudsman that the Hoilett commission, in respect of the three lawyers on our side, will be concluded somewhere in January or February, but the cost has now almost ceased.

**Mr. Handelman:** I don't want to upset the rotation between the parties, which is customary in the House, unless this is the rule of the committee. Normally, parties rotate in questioning, and I see no reason why it shouldn't be continued here.

**Mr. Dukszta:** We had two people speak on this item already.

**Mr. Handleman:** I will proceed if there is a precedent for it. I have been listening and it seems to me we are not talking on this item. We are talking on the entire thrust of the ministry. I have a particular interest in a couple of areas which come later in the votes, but since Mr. McDonald is here and available and since I see Mr. Derek Haley in the audience, perhaps we can discuss them now.

For a number of years, Ontario and the government of Canada competed in the home ownership programs they have promoted. As you know, there was a process of negotiation and, eventually, the two programs became one, known as AHOP. Our home program and their AHOP were eventually merged. Your immediate predecessor was successful in bringing that about.

At the time of the merger, I know, the program was debated at some length, and some cautions were thrown up about what might happen when those mortgages became due in five years because the program was based on everybody's income increasing. I think the calculated risk was taken that for most people it would work and that it was better to get them into a home ownership situation rather than wait until they could really afford the mortgage payments.

What I would like to find out, of course, is the number of those particular plans which have been abandoned by the owners through the quit claim process and what has happened to the quit claim process recently. I understand CMHC has said it won't accept them. However, what does happen when a person simply finds he can't refinance or his income hasn't gone up sufficiently to keep pace with the cost of carrying those assisted home ownership units?

**Hon. Mr. Bennett:** I spoke on AHOP for a short period of time last week. I think Mr. Handleman, being a former Minister of Housing, knows the process that Don Irvine and the late John Rhodes went through, and he knows AHOP was held in suspicion for a long time by a great number of people, including the private sector.

**Mr. Handleman:** Including me.

**Hon. Mr. Bennett:** That's right. I expressed some grave concerns about AHOP when I first became minister and could see what was going to develop, because by the time I became minister some of the things that had been projected to happen were not happening. I don't profess to be any smarter in the world of financing than most people who go in buying a home; but back-end loading, in my opinion, in any kind of financial deal has got to be the short wick on the stick of dynamite.

If all the things that were being predicted then about an increase in incomes continuing at the escalated rate we had experienced in the early 1970s and in the mid-1970s, then the AHOP program and the deferred back-end loading would have been realistic. If property values continued to escalate at the unbelievable pace which had been set up until the mid-1970s, then again the equations being produced by the federal government would be great. I say the federal government because it was basically its program, in which we were invited to participate.

The only thing that confused the whole system, as far as I was concerned, was I had the federal Minister of Finance working with one set of statistics on inflation and the Minister of Housing of the day working with a wholly different set of inflationary rates to make the AHOP program a more saleable or buyable item. Obviously, the two were not to meet and we could never get them quite to agree, and it was obvious what was the basis. Some of the newspaper stories of this past weekend here in Toronto, in the Star and a few others, which said that AHOP was really a forced sales tool upon the public, gave as good a description as I can think of at the moment.

**Mr. Handleman:** There was no alternative in terms of assisted home ownership to people in the lower-middle income area. At one time there was an alternative. They could look at the HOME program and they could look at AHOP and they could decide. But when the two became one and it became AHOP instead of HOME which—

**Hon. Mr. Bennett:** I don't think you or I or anyone else in this province really wanted to see the province of Ontario in competition with the federal government, clashing heads and spending millions of dollars as they do in the lottery corporations, trying to out-advertise one another. I don't think there's much commonsense there. The fact remains we got into the AHOP thing. I should just stop for a moment and say, while the politicians were pushing the program because it appeared to be the only thing that made the housing industry viable at that time, some of the private lending institutions—and let us give credit to some of them—would not participate at all.

They said this was nothing but damned foolishness and was going to blow up some day in somebody's face. They didn't know how it would be resolved. To try to reduce interest rates today and then tomorrow see them escalate or come back to market position was going to be a difficult process. We

lived to find out that some of the financiers in this country who have made millions and so on aren't without some degree of grey matter in knowing exactly what the conditions will be. The fact is that most of the companies in the loan industry advised against it, as much against it, I might say, as they have advised against the graduated payment mortgage plan, which is another disaster being developed and designed by government. There is no doubt about it. That one is back-end loading again, only it escalates itself over a period of time. The fact remains that some of the finance people just wouldn't participate.

The federal government of the day—and I am not here to criticize them because they had a responsibility to try to get people into homes and to keep the industry functioning—made it clear to some of the financing people that it was the only ball game in town and they had better damned well get into it. That's why I suppose it had a degree of success. Now we are experiencing a number of people who want to walk away from the project because of the escalation in costs in the next year. The escalating cost starts in the first month of the seventh year after purchase. It is going to be tough for some people, obviously, because their incomes have not gone up as rapidly. Other commitments in life, such as taxes and the cost of fuel and so on, have risen much more drastically than their incomes are able to cope with.

Some 30,000 people in this country have already walked away from their properties. They expect by the end of March of next year as many as 50,000 units will be back in the Canada Mortgage and Housing Corporation's hands. In fairness to Mr. MacKay, he has said they want to slow down the quit claim process so they can review each case more specifically. It would appear to me that it was pretty well a carte blanche situation. If you said you needed to get out of it, you didn't really have to prove your financial position or anything else. If you could get CMHC to let you off the hook, then the mortgage company would let you off its personal hook. In turn, they made a quit claim against the federal government through the insurance plan for the amount of the mortgage.

I can't answer specifically what Mr. MacKay intends to do, other than we have had some discussions with him. As I said last week, we have talked with him at least three or four times. We have had a number of phone calls and discussions with senior people and they are concerned. I must say last week I met with a group from the region of Peel. Peel

was one of the big takers of the home ownership assistance plan during its four- or five-year life span. They will experience some rather substantial mortgage renewals early next year, the following year and likely on into early 1982. Big numbers are going to take place in that community, and they are concerned about what is going to happen with the interest rate.

In my discussions with them last week, we have no positive position on it at the moment, other than our meeting this Thursday with Mr. MacKay and with Canada Mortgage and Housing Corporation. I shall be meeting with my colleagues in the other provinces with Mr. MacKay in the next month or so, and this is one of the issues to be discussed. I might say it was also discussed by the Premier and the Prime Minister at the first ministers' meeting earlier this week as to where we go on interest rates.

Not only are we concerned re AHOP because that is one very specific market, but we have to be concerned about two people of similar income and similar family size, one who bought into the AHOP program where he had an interest rate reduction by governments, both federal and provincial, and the other who bought outside of AHOP and paid the 10.25 per cent at that time, but now will experience the same 14 or 14.5 per cent interest rate. Now that individual may not experience quite the same effect on his income, but it is surely going to have a substantial effect on it.

As I said to the Peel people, while it is great to talk about AHOP, I think there are a great many others in the community we had better be concerned with as well because they may not have the same quit claim opportunities as experienced under AHOP. I am talking about the fellow who bought on the private market.

I say, fairly and frankly I have not got the answer to the interest situation at the moment. We will continue to discuss it with our federal colleagues and Canada Mortgage and Housing Corporation. I would hope some constraints or restraints will be used by the federal government in trying to persuade people to stay within their units, should the federal government be requested by the present property owner to implement the hardship clause that does exist in each one of the AHOP agreements with the individual purchaser.

There is a hardship clause which allows the federal government to review. Hardship relates to income and responsibility of retention of ownership. I would hope Mr. MacKay would try to put the hardship clause into use.

To the best of my knowledge, surprisingly enough—and I say that because I guess they have had an easy time in the quit claim process—we are not aware of any requests for the hardship clause to be exercised.

We must concur as a province, which we obviously would, in allowing a hardship clause to be put into practice by the various purchasers, but at this moment it has not, I think Mr. MacKay is closely looking at why it has not been used. In talking with Peel last week, amazingly enough, outside of the social services commissioner who knew about the hardship clause, it was obvious and apparent to me the chairman and the members of the council were not aware of the existence of the hardship clause and that they could be advising some of the residents in the communities they represent that they should be going before Mr. MacKay or the Canada Mortgage and Housing Corporation people and trying to have the hardship clause put into action.

Let me finish by saying, while I don't agree with AHOP, because I think it back-end loads the situation and is dynamite, the five-year or whatever period of time might be extended in the hardship clause only accentuates that back-end loading problem. It is a short-term solution.

[11:00]

**Mr. Handleman:** I don't think most home buyers are aware of the hardship clause. They see their neighbours moving out and giving up what little equity, if any, they have in these homes and they feel that's the easiest way out. It might very well be that more publicity could be given to the hardship clause so that the home owners would use it, because I'm quite sure that most people don't walk away from a home unless there's severe hardship.

**Hon. Mr. Bennett:** Mr. Chairman, you read the article in the Star a few days ago about a fellow who was in an AHOP project who wouldn't be named. He got a quit claim deed, walked away from that unit, immediately purchased another one and moved in. Someone really has to start questioning what in hell is going on in the system.

**Mr. Handleman:** Aside from the speculation that took place during the hot-house days of the early 1970s, the HOME program did not encounter that kind of problem. It was the reverse. People were taking advantage of rising prices, wanting to get clear title and selling them. OMC has acquired title to a number of housing units through mortgage default or quit claims. Are those that OMC owns all the result of the HOME program? I believe Mr. McDonald can answer that.

**Hon. Mr. Bennett:** Mr. Handleman is asking about all of the properties we have repossessed, if that's the proper terminology. Maybe it would be well to give a little background as to how some of the properties come into being and what the process is as to how we take them back.

**Mr. Handleman:** There aren't that many. I just wanted to find out what the process is. There are 677 according to the background information.

**Mr. Haley:** OMC has acquired approximately 700 units over the last two years. The units we have acquired have not been involved in the AHOP program. Our units were those originally committed under OHAP, being the 10.25 per cent loans. They were committed back in 1975-76.

The problem our borrowers faced was that with the competition from AHOP they could obtain comparable accommodation across the street for \$100 a month less. Some had a five per cent equity in their units, though I must stress that not all the borrowers had five per cent equity because in 1975 there were federal and provincial grants to assist these people to move into the homes. With no equity and comparable accommodation available in the same municipality at lower cost, they just elected either to go into default or move out.

Our situation is actually a little different from the AHOP problem where I know CMHC has already acquired quite a number of these units. The reason for that was during the first five years they were receiving a subsidy, but at the same time they were accruing the subsidy as a second mortgage. This is excluding any grants with just an interest subsidy.

During that initial five years when they attempted to sell, they just couldn't find a purchaser. The market was becoming gradually worse. There again, because of the minimal equity they had in them, they're likely either to walk out or go into default. Appropriate action had to be taken.

As far as the mortgage corporation is concerned, during the last few months we have seen a lessening in the number of individuals who have wanted to walk away from the homes. I think this is because when they look around the market now and see the high interest rates, they don't really find alternate accommodation. The newspapers every weekend are advertising new homes at 10.25 per cent which is the builder's original commitment. I think we still will be faced with this problem but it is gradually diminishing.

**Mr. Handleman:** Those repossession are not HOME repossession but OHAP.

**Mr. Haley:** The majority are OHAP.

**Mr. Handleman:** I don't know whether this is repossession. It says "has acquired the rental buildings." It boggles my mind when I try to visualize OMC as a landlord in view of rent control from which you are exempted because I presume the OMC qualifies under the publicly-owned exemption. Are you acquiring these on the market? I know a lot of landlords who would like to buy several thousand rental units, whom I could bring to your attention within an hour. Were these foreclosures or what?

**Mr. Haley:** Actually, we acquired 565 rental units in Hamilton consisting of five buildings. At the time we acquired them, the market was bad. The vacancy rates in the area were actually 15 to 20 per cent, when we acquired these initially.

**Mr. Handleman:** Is that right? Are you renting them at market value then?

**Mr. Haley:** We rent them at market value and we apply the six per cent increase under the rent control. At the present time, we are able to recover all our operating costs on these projects. We have a specific problem in attempting to sell them. We continuously advertise them for sale but it is a leasehold situation, which is a problem.

**Mr. Handleman:** May I ask you why you acquired them? Did you hold the mortgage on them in the first place?

**Mr. Haley:** We held the second mortgage. This was under the community integrated housing program. OMC provided a second mortgage.

**Mr. Handleman:** That was incidental. You were talking about the OHAP program. Perhaps I could ask the minister whether or not the original commitments under OHAP, which involved other ministries are being continued.

You may recall under the OHAP program there was a crash building-ahead-of-stream concept. Some of the communities involved, including the major community in my own riding, were guaranteed they would be viable communities, not bedroom-type suburbs and little enclaves, but would have all the services that were available to built-up areas, such as schools and libraries. There was an OHAP grant, as I recall, on a per unit basis given to the municipality but it did not include schools.

The Ministry of Education, which is retrenching, obviously seems to have walked away from some of those commitments to

provide schooling in OHAP areas. In my own area particularly, dozens of buses roll up every day to take people from an OHAP area which is thriving—no question about it—in terms of residential building but is lacking some of the amenities which make a community a community, particularly schools.

**Mr. McDonald:** I can't answer on behalf of the Ministry of Education. I don't have any knowledge of that. The original OHAP program was to put in infrastructure for sewers throughout the province, basically from Haldimand-Norfolk through Toronto, Durham, northern Ontario, Thunder Bay and a few other places.

The basic program was to provide interest-free sewer loans which the communities would pay back over 15 years, starting at the beginning of the fourth year. Some communities have found it difficult to pay back the loans and the minister, in part of the clause of the contract, has put off the payments until the fifth year.

At the same time, the communities which had OHAP sewer loans had the opportunity, if they brought on certain dwellings due to a housing shortage at the time, to acquire certain grants from the ministry in order to put in infrastructures, over and above the sewers and roads, that might be necessary respecting firehalls and associated housing-type activities.

Most of the municipalities that had the grant system through the loans have taken advantage of the construction grants which ended on March 31, 1977, I believe. That money has been expended. The only outstanding issue is the repayment of the interest-free loans over a long period of time.

**Mr. Handleman:** I understand the infrastructure and the per unit grant. Of course, those went to municipalities, and the municipalities put them into their general revenues and spent in those areas as the need arose. I have no argument with that; those areas are serviced probably at the same level of municipal services as other.

I know directly of one in my own constituency, Bar Haven, which was being built under the Ontario Housing Action Program, where the entire infrastructure for the area is under OHAP, where the Ministry of Education of the day—and I think Mr. Wells was the minister at that time—because housing was a high priority, was constrained to say, "Yes, when the time comes, these areas will be priority areas in terms of providing educational facilities."

Whether or not that priority still applies today is really the question I put. Local

boards of education do establish priorities. However, because of capital constraints—and with the population generally shrinking I understand the reason for them—the OHAP areas, which are areas where young families move and where school needs are much greater than they are in older areas, are not receiving community facilities. There are facilities available, and we all know they can be bused; I have no argument with that process at all. But commitments were made that they would have their own community facilities. I wonder whether the minister discusses with his colleague the present Minister of Education those old commitments that were made by one of his predecessors.

**Hon. Mr. Bennett:** Certainly we review with the present Minister of Education the problems that are coming about. In your area some of them are already with us, and some of them will be with us in the next period of time. The OHAP program put millions of dollars into advance servicing, putting lots on the market in advance of need. We were told by all members of the Legislature, and indeed the public, that one of the reasons for high lot values was we were always lagging behind in services and there was always a shortage of lots. Now there are about 250,000 lots available in various municipalities across the province—

**Mr. Handleman:** It's working.

**Hon. Mr. Bennett:** Yes, it's working, but there are not many takers at the moment. Some people wish they could find a few takers to get them off their hands.

The capital construction allowance of \$1,000 per unit was given to the municipalities to supply an infrastructure that related to the housing coming on stream. As far as schools were concerned, the minister of the day said the ministry would try to facilitate the construction of schools. There again, in the present economic situation—and I don't wish to usurp the position of the Minister of Education or the responsibilities of her ministry—where there are spare classrooms in an adjacent school it doesn't really make the best economic cost constraint practice to go ahead and build another school. Busing service may be required, but the school is there and the teachers are already there. If you build another school, it means you have two classrooms and two teachers or whatever the numbers might be.

In our discussions with the Ministers of Education, both past and present, more specifically about Kanata and Hazeldean and areas in that general region, it was the minister's full intention to try to accommo-

date the request of the local boards of education as quickly as possible. But she, and the previous minister, had a little thing known as a shortage of dollars.

I might also say if there was a greater degree of co-operation between two boards in local communities we might not have all the problems we have today. Of course, it is easy to blame the province, even though locally they can't agree on something.

**Mr. Handleman:** My only concern is that when governments make commitments, and sometimes they are made without a great deal of foresight, they come back to haunt them in the event they can't meet them. This is one in particular—I quite agree with the full utilization of school facilities—which conflicts with the commitment that was made to provide community facilities. It is there and it is not going to go away.

[11:15]

**Hon. Mr. Bennett:** I suppose at the time we were using the same criteria, the same benchmarks and projections the federal Minister of Housing was using in trying to project what the needs would be, so there would be sufficient capacity within the built-up communities to warrant this kind of construction and to carry the financial loads that would be encountered.

Now we have all these loans out in place, at the request of the municipalities. Just so we don't get the thing all backwards, we didn't say to the Mississauga, Durham, or Ottawa-Carleton, regional governments or to the local municipality involved, "You have got to take these services." We installed them at their request. An incentive program was involved, and expansion appeared to be imminent for those particular communities.

As Mr. McDonald has said, I have a number of requests from around the province where they have these funds, but have not been able to develop. Nobody has been prepared to develop the units because there is not the expansion or increase in population they had anticipated. If you base the system on user-pay in the payback and there are no users, but these municipalities or regions are now expected to commence the repayment of these loans when nobody is paying into the coffers, you can appreciate the problem.

Durham, in particular, because it likely has the largest loan interest-free for a period of time that we made anywhere in the province, has to be the hardest hit on account of the slowness in growth of population against anticipated growth.

We are trying to be fair with people. At the same time, I would like to say I am not, carte blanche, about to give everybody an exemption or deferral. If I do, we could very well find their interests in developing will go away from the multimillions we have invested over to some other part of the community which is entirely their financial responsibility. I don't want to lessen their interest or their intentions to build in that community or to continue to promote that community. At the same time, as a result of the aggressiveness of the province in trying to put more land on the market, I do not want to see any individual municipality suffer an unrealistic setback because of its interest in participating in putting more serviced land on the market.

**Mr. Handleman:** I won't pursue the other matter I wanted to. I might wax philosophic and say maybe we are suffering from the indigestion which inevitably follows a free lunch.

**Hon. Mr. Bennett:** Yes, I suppose at the time everyone thought it was essential that government participate as actively as it has. I can only conclude by saying we had hoped experience would be a good lesson. By government standards, I have my doubts.

**Mr. G. E. Smith:** I'd like to ask a question and I will be guided by the Chair and the committee. Mine pertains in general policy to OHC or senior citizens. Should I ask it at this point?

**Mr. Chairman:** We've been all over the map, but I think we should not bother to take it up at this stage.

**Mr. Epp:** Mr. Chairman, may I just speak to that?

**Mr. Chairman:** Yes.

**Mr. Epp:** I am not opposing this at all. I think he should be permitted. We have a number of items we wish to cover. I am just wondering whether we could try at least to finish votes 2201 and 2202 and then maybe get into 2203 by this afternoon.

**Mr. Chairman:** Are there any other comments on that?

**Mr. Epp:** That would give us some indication of how we are progressing.

**Mr. Dukszta:** Yes, I tend to agree. But we still want Mr. Smith to ask his question. If we are going to have it wide open, then whenever someone comes in and discusses that, I would prefer if we went about it in an orderly fashion. I would prefer after administration to go straight to 2202 and then to 2203. I have something on 2202, Mr. Epp

has something on 2203 and then I also have something on 2203. I think Mr. Makarchuk has something on the general administration.

**Mr. Chairman:** Mr. Smith, what area does your question deal with?

**Mr. G. E. Smith:** It deals with senior citizens' housing. We can deal with it now or the minister can answer when we come back. I had a call yesterday from a senior citizen. I suppose I could ask it by phoning the office, but I thought it would be a good idea to hear it from the horse's mouth, so to speak.

**Hon. Mr. Bennett:** That's the best thing to hear it from.

**Mr. G. E. Smith:** I have a senior citizen who is going into the hospital. How long will you hold her apartment while she is sick? What is the policy? You can answer it now or answer it when we come to the vote.

**Hon. Mr. Bennett:** We might as well clear it up now, Mr. Chairman, since we have been into general things across the board.

**Mr. Chairman:** Following this, I think we should proceed with vote 2201.

**Hon. Mr. Bennett:** It's a very good question because we do have a number of problems—and I use that terminology advisedly. They are problems or concerns. We've tried to establish some guidelines to give some direction to the housing authorities across the province so that they know exactly how the system should be run, if there's an inequity, whether it be in Ottawa, Toronto, Sault Ste. Marie or Thunder Bay. If somebody is taken seriously ill and the apartment is left vacant for a period of time, let's say a month, we would try to ascertain, through the management of the building, exactly what is the anticipated duration of illness, and if there is any possibility the individual male or female living in the unit—and I'm taking it as a single occupant rather than a couple—will overcome the illness or overcome it in a relatively short period of time.

In some cases, we're advised by the medical people attending that the individual is not likely to come out of the unit, out of the hospital or out of the senior citizens' convalescent home or whatever it is. We then try to take some action as quickly as possible to secure the unit for someone on the waiting list. I would say clearly it is not done without compassion or understanding because sometimes it can have a very great effect, mentally, on a patient if the patient is aware his or her unit no longer exists in the outside world. We're guided by the advice of all the people. We keep in mind that the individual has a one-year lease with the corporation or the housing authority.

I might add, for general discussion, there is an area that is really developing across the province that is of concern to me, of concern to the housing authorities and, I would hope, of some concern to the members of the Legislature, with which we are confronted more and more every day. It relates to seniors. I've had letters in the last few days from members of the House relating to where a senior goes off on a winter holiday to the southern part of this continent, even though the money is 18 per cent less in value, for an extended period of months. That has become a real concern to the housing authorities in about every area of this province I've visited. For how long a period do we allow a person to be absent from the unit and still have it subsidized heavily by the taxpayers of Canada, the taxpayers of Ontario and the taxpayers of the local municipality?

As an aside to that, the concern is great enough that we established a guideline that said if one wishes to be absent from a unit for a period of two months, we could find no fault, nor should we. When we start finding people gone for five or six months at a time, it really throws the question on to who is in need.

At the same time, I have a list of people, as you can tell me, Mr. Epp, in your community and in others, who would like to be in senior citizens' homes. Because we have the two month restriction, I am told at times we lack compassion. I'm open to some suggestions because, I'll tell you, it doesn't make a tinker's dam which way we go. We're going to be damned if we do and damned if we don't.

May I just cite an example I had? There is one community where an individual is in the south for four and a half to five months of the year and at his cottage for another three or four months of the year. He is an occupant in the unit for only about three months of the year or thereabouts, give or take a week or two.

The authority's attitude to me is where do we call it quits. At what point do we stop subsidizing this unit and allow somebody who wants it for 12 months of the year to be an occupant in it, rather than keeping it set aside, in the sense of the word, as an open reservation for the individual or individuals? I would be interested in hearing from Mr. Smith, Mr. Epp and whoever represents the third party's position as to whether our guideline is too restrictive. I will tell you it's not a diminishing problem; it's an increasing problem. I find it difficult to ignore. At the same time, I am badgered and condemned because there are a few people on the waiting list who haven't the resources

to own a home or to get into a private rental accommodation or to go travelling but still need the occupancy.

It seems very difficult to me, as a minister, in times of constraint and restraint, to have an open-door policy. Once you're in you're in. It doesn't make any difference whether you make use of the unit for 12 months of the year, six months of the year or any other portion of it, you're just considered to be a tenant. At the moment, the guideline within the housing authority is that if you're absent more than two months without a reasonable explanation, we consider the unit is no longer required by the tenant.

I know that brings great volumes of protest when there is a case. I know everyone will come and say to me, "It's because I have a health problem that I go south." I've got a health problem and I'd like to go south for six months of the year too, but I have a few other responsibilities around this House—not the one that I live in at night—that keeps me present.

Generally, Mr. Smith, we try, first, to keep a very close eye on illness and to be as compassionate and realistic as possible, keeping in mind there is a one-year lease. But if there is no need of the unit, if it's only a financial commitment and if the person is never going to use the unit, we relieve them of the continuing financial drain and make the space available to another senior citizen. I would like to get this to a vote so that I can get some expression of opinion from members as to the regulation re vacancy at the time of vacation for extended periods of time.

**Mr. G. E. Smith:** I would be glad to discuss it further at the time of the vote.

**Mr. Chairman:** Mr. Makarchuk, do you wish to speak before we vote on item 2201?

**Mr. Makarchuk:** Yes. I'd like to speak on this point and also on the matter of mortgages which is more under administration than it is under this vote.

As you say, I think that is a problem. In the first place, the problem possibly develops with the leniency that's expressed by some housing authorities in allowing people who can well afford the commercial rental field to live in that unit. They like it because of the companionship, the conveniences and everything else. I think perhaps some tighter criteria or better examination of the applications might help to alleviate the problem.

On the other hand, I quite agree with you about the person who sits around or leaves an apartment vacant for two months or even longer. If he wishes to come back in just

about every community, with perhaps the exception of Toronto, he can get himself a place in the regular rental market field. If he can afford to go to Florida, I'm pretty sure he can afford the going rents that exist in the community.

I'm concerned about the growing mortgage interest rates. People are complaining because they are finding themselves having to re-finance mortgages which they received under AHOP or some other plan. With the new interest rates, they are finding it impossible to afford the mortgages. They are pulling out and moving into rental accommodation.

Is the ministry planning any kind of moratorium on extending AHOP or other assistance programs for a year or so? With the combination of Joe Clark's so-called mortgage assistance plan and the hope that interest rates may drop, are you planning anything so that these people would not have to be subject to all these problems? They're actually finding themselves in situations where they can't afford the rents. Most of the mortgages are on a five-year basis, so roughly one-fifth of the population with mortgages at this time are renewing their mortgages at 15, 16 or 17 per cent. Do you have any plans to try to alleviate this or do you find yourself restrained as to what you can do?

[11:30]

**Hon. Mr. Bennett:** I spoke earlier this morning about the AHOP program and the quit-claim process. I referred also to the general mortgage market and the impact the new interest rates are having on purchasers and on those presently within their units. I said at the time one of the things that had not been used at all was the hardship clause that exists within the AHOP agreements that were signed by virtually every purchaser of an AHOP unit in Canada. I can't tell you why the hardship clause has not been used. I gather it is because not many people are aware of it. Perhaps the legal counsel they had at the time didn't draw it to their attention. I'm not sure.

In my discussions with the new federal minister reporting for Canada Mortgage and Housing Corporation, I gathered he's going to be less willing to accept quit-claim requests out of hand at this point. Also, he's going to look at the hardship clause in an effort to try to retain people in these units rather than have them come back on to the market system either to purchase another house, which is the case with some, or go into the rental market. In the Metropolitan Toronto area specifically this market is tight

now, without creating another influx into it that can't be accommodated.

Generally, we're going to have some discussions with the 10 provincial ministers and the new federal minister re the subject of housing and interest rates. The Premier did have some discussions at the first ministers' conference last Monday which related to interest rates. So the whole thing is being looked at. In fairness, Mr. Makarchuk, it's not only AHOP you have to be concerned about, it's the general mortgage market.

**Mr. Makarchuk:** Yes, that's right.

**Hon. Mr. Bennett:** I do not believe there is a sufficient pot of gold, either provincially or federally, to accommodate a complete interest write-down on all mortgages that prevail in the province that come up for renewal in Canada at this time. With respect to the Joe Clark mortgage interest deductibility and municipal tax credit programs that are to be implemented in the present tax year, by our estimates—and I'm not sure we have copies of those—I fear a good portion of the increase that's now going to be encountered by the individual will be returned in that tax credit program. One fault in it—it was brought out here last week and I have to concur with it—is that it is a credit program that comes back to you at the end of a given tax year, while income taxes are committed for you on 12 equal payments over the period of earning.

I'd suggest maybe in the process of talking with the finance minister and a few others in Ottawa they should try to have some declaration of mortgage on the income tax form so people could have it as a deduction during the time income taxes are deducted at the source. In other words, you would take it into account the same as you would a tax deduction for a child or a wife or anything else so that you would be relieved of these heavy income tax payments during the current year. That would further assist you in meeting the mortgage and interest payments you would encounter.

At the same time, I think it's fair to recognize that in the seven years since these mortgages were taken out in the vast majority of cases—I wouldn't say all because that would be rather aggressive—people have had increases in income. Maybe they have not been sufficient, as I indicated earlier this morning, to look after all the new commitments that would be created as a result of the higher interest rates, fuel costs, electrical costs and so on. But certainly between that and the tax credit program of the new federal

government, I think to a very large extent most of the pressures will be relieved.

I don't want to leave another idea that seems to prevail in the media that everyone in an AHOP home or in a particular mortgage situation is going to walk away tomorrow. There are a great number of Canadians who feel they've got an investment; while things might be tough, they are going to stick around and see it out. There are others who will walk away, which we have already experienced. Some 30,000 houses are in the hands of Canada Mortgage and Housing Corporation. It is anticipated it will be upwards of 50,000 by the close of their books next March 31.

This is a shocking number of units to be owned by the federal government. I do give them full marks though. To throw them all on the market for sale tomorrow could destroy other property values that exist within the presently-held condominiums. That's where a great number of them are.

**Mr. Makarchuk:** Our figures indicate that to carry a \$60,000 mortgage you'd have to have an income increase of more than \$8,000.

**Hon. Mr. Bennett:** In AHOP, we're not talking about a \$60,000-mortgage, because \$47,000 is the maximum level of construction costs.

**Mr. Makarchuk:** I realize that. I'm speaking of a mortgage in the general housing field. One would have to have an income of over \$8,000 a year more this year than last year to carry that \$60,000 mortgage.

**Mr. Watson:** Oh, come on.

**Hon. Mr. Bennett:** Oh, come on, Mr. Makarchuk, aren't you really saying over the last five or six years?

**Mr. Makarchuk:** No.

**Hon. Mr. Bennett:** It has to be.

**Mr. Makarchuk:** I think our figures are quite accurate. If you had your mortgage in 1978 at 10 $\frac{1}{4}$  per cent and if you have it in October 1979 at 14 $\frac{1}{4}$  per cent, if you are working on the basis of 25 per cent of your income going into housing, in 1978 an income of \$27,227 would carry the mortgage; in 1979 that mortgage would require an income of \$35,367. That is \$8,139 more income, which is more than 20 per cent.

**Hon. Mr. Bennett:** Just a moment, Mr. Makarchuk. We may not all be great experts in mathematics but we do have a little bit of common sense. At the time the mortgage was taken out, five years prior to the date of its expiry, the person's income was X dollars. Over those five years he has had salary in-

creases. The vast majority have had increases in their incomes and maybe promotions. We can't just say that at midnight in year five his income was such-and-such and in year six his mortgage commitments have risen this amount.

**Mr. Makarchuk:** There's no question he has had increases. I'm talking about his increase from last year to this year. Compared to the interest rate increase, his increase has been nowhere near it. It is nowhere nearly large enough to provide him with an income necessary to carry that mortgage so that it would still be only 25 per cent of his income. If he was making \$27,000 in October 1978, he would need to make \$35,000 in October 1979 in order to carry the same mortgage. He would need about a 20 per cent increase in wages over one year. The principal still remains the same; it's the interest rates that have increased. If he is refinancing that mortgage this year, he would have needed that enormous jump in income.

What I'm trying to say is that a lot of people are faced with some rather severe hardships because of the rapid increase in interest rates over a short period of time. They are refinancing their mortgages right now. Many of them at their current incomes will probably find themselves in the position where they'll be putting more than 30 or 40 per cent of their income, if they can slug it through, into a mortgage.

I understand AHOP provides certain assistance and the Ontario Mortgage Corporation can possibly do something. Perhaps there should be other subsidies, but I'm not sure how you could implement some of these programs. It could be quite complicated and involved. It's just that people are caught in this trap. They've got their home, they've got their investment, and they find if they have to refinance a mortgage today they can't do it. What are they supposed to do? You could say they are the cause of their own predicaments, but the problem is there.

**Hon. Mr. Bennett:** I expressed earlier that the problem is there and we've gone through that problem. I have no easy answer for it. Absolutely none. Neither has the federal government. The fact is, Mr. Makarchuk, if you look at the thing in fair and frank terms, those who bought under AHOP had certain advantages for the first five years over a comparable individual who bought on the private market and had no advantages extended to him in the five years. These people are confronted with rather substantial increases in mortgage.

We can only try to project it. Taking a hypothetical situation is bad because we don't

even know whether the reality exists there. But we have tried to project, on an average with the people that have bought into AHOP, what the municipal tax credit program would be re their income. If I remember the figures correctly—I haven't got them before me this morning—at 12 or 12½ per cent it pretty well equated one to the other. But we've moved rapidly in the last six weeks from a 12 to 12½ per cent mortgage to about 14½ per cent mortgage.

**Mr. Makarchuk:** It's more than 14 per cent. I'm using the figures 14½ per cent and the mortgage rates today are about 16 or 17.

**Hon. Mr. Bennett:** Just a moment, hold on.

**Mr. Ashe:** How do you get them at 13 and 14?

**Mr. Makarchuk:** Listen, you can get them at 10 if you know how.

**Hon. Mr. Bennett:** What about buying a house that's got an existing mortgage?

**Mr. Ashe:** They're not giving money out at 15.

**An hon. member:** I raised one at 10 per cent about a month ago, but that's beside the point.

**Hon. Mr. Bennett:** Some of the mortgage companies are now backing down, as you know. Was it the Royal Trust that came down to 13½ per cent last week?

**Mr. Makarchuk:** On the general market, if you talk to the real estate people, you'll find out that it's still fairly high.

**Hon. Mr. Bennett:** Montreal Trust?

**Mr. Makarchuk:** I'm just bringing this to your attention. I think it's going to create problems, particularly in the urban areas. When they can't afford the refinancing, they have to move out. They go into the rental market. The rental market already has problems. I'm not sure what you're going to do about it.

**Mr. Vice-Chairman:** I think we've had enough discussion on that particular subject. Is it the wish of the committee that we carry vote 2201 and move on to vote 2202?

Vote 2201 agreed to.

On vote 2202, community planning program:

**Mr. Dukszta:** Ontario Home Renewal Program comes under that, doesn't it?

**Mr. Vice-Chairman:** Correct.

**Mr. Dukszta:** Which item would it come in under?

**Mr. Vice-Chairman:** Planning, which is vote 2202, item 2.

Item 1 agreed to.

On item 2, plans administration:

**Mr. Dukszta:** Mr. Minister on June 11, 1979, you gave me an answer to a question on Order Paper 53. I'll just refresh your memory about this and then ask some further questions.

I asked you how many requests were made by the municipalities last year to the Ministry of Housing, Ontario Home Renewal Program.

**Hon. Mr. Bennett:** Last year being this current year?

**Mr. Dukszta:** Yes, 1979. How many were funded and what was the total value paid to each municipality? How many requests were not funded and what was the total value? What survey has the ministry made of the need and demand for such OHRP grants and will the minister table the results, et cetera, to show the adequacy of \$20 million? You have done that partially.

The information you gave me indicates during the 1978-79 fiscal year, grants in the amount of \$19,116,772 were forwarded to 411 municipalities and \$883,228 were paid to homeowners in the unorganized territories.

Now the total request for funding during the year was \$36,066,331, with requests, therefore, exceeding available funding by over \$16 million. There were 20 municipalities which did not receive any funding as their application was received after the OHRP money, surprisingly, had been totally expended. These requests were for approximately \$800,000.

How do you decide who gets it, besides the fact of whoever applies first? What are your criteria for doing it? I have several questions about this and I want to ask a question later specifically about Toronto.

**Mr. Wronski:** Mr. Chairman, the program's financial limitation of \$20 million per annum led us to develop a certain formula to distribute the money among the municipalities as equitably as possible.

First of all, there is the issue of entitlement. That is governed by a per capita formula which does not run necessarily in a straight progression line but in order to remove a certain amount of inequality between municipalities with sizes which fall closely within the ranges established, has a different curve.

In other words, just to give the member the idea of what we are doing, a municipality with a population up to 10,000 receives \$4.21 per capita plus a flat allocation of \$52,895. With populations of 10,001 to 100,000, the entitlement is \$2.27 per capita plus \$72,000.

**Mr. Dukszta:** Mr. Wronski, I did read through this and I vaguely remember it but I wonder how we would operate in terms of Toronto?

**Mr. Wronski:** Toronto would come into the category of over 150,000 and the allocation or entitlement would be \$2 per capita.

**Mr. Dukszta:** Two dollars per capita.

[11:45]

**Mr. Wronski:** The actual distribution of the annual cash flow within the fiscal year is done on a first-come, first-served basis. In order to ensure an equitable distribution of the existing funds, using the first-come, first-served formula, the municipalities were previously funded to receive an advance of 25 per cent of the annual eligible amount which, as I said, is calculated on per capita basis, or \$40,000, whichever is greater, with one exception, where the total annual grant is less than \$40,000. That is for very small municipalities of about 500 people. Obviously, the city of Toronto is not in that category.

However, when a municipality has spent less than 75 per cent of funds the previous year, the advance is reduced accordingly because they are reaching a point at which they cannot administer the number of loans that they sought previously. Also, it is reduced if a municipality has not forwarded to us the quarterly spending reports for more than two quarters. They are obliged under the regulations of the program to supply us every quarter with normal statistics, in other words, the whole system of management by results.

**Mr. Dukszta:** Let me ask you a question about the type of programs the municipalities ask support for and the effect it has on two major aspects of that problem from the point of view, as I see it, of the preservation of all existing stock or upgrading all existing stock, plus provision of employment. Could you give me some idea what kind of progress we will have applied and the ones which you have had to reject? They use it for two purposes, don't they?

**Mr. Wronski:** Yes, for rehabilitation of existing stock.

**Mr. Dukszta:** At the same time, it obviously provides jobs. I am not interested at the moment, for the purposes of my questioning, about renewal, though it is an essential part, naturally, of protecting the old existing stock. I am interested very specifically in those programs, how many jobs they provide and what happens when in the city of Toronto you've cut it down to 25 per cent on the entitlement.

**Mr. Wronski:** As the member noted, the program provides for two things. The stock of the housing is being renewed, which is like being extended. In subsequent effect, that has also an impact on the demand for new housing. It also has the sociological impact on the community because it permits people to live in the neighbourhood they are used to and where they have lived for years. It also provides a source of new jobs for local labour, for subcontractors, plumbers, electricians, et cetera. If I understand your question correctly, you would like some figures to that effect.

**Mr. Dukszta:** Yes.

**Mr. Wronski:** Until the end of this year, together with the unorganized territories and the municipalities that are in the program, we will have rehabilitated 28,584 units. The average cost of these rehabilitation works was \$3,730. The income grouping of the recipients of the program, which as you know is administered by municipalities within the regulations set up by this ministry, indicates the program actually relates basically to senior citizens and very young couples with very modest incomes.

**Mr. Dukszta:** Is it a part-time job or full-time job for these people?

**Mr. Wronski:** We have no figures as to the actual occupation of the individuals.

**Mr. Dukszta:** Have you figures on how many people are actually employed and whether it is on a part-time basis or full-time?

**Mr. Wronski:** Actually employed on the rehabilitation program itself?

**Mr. Dukszta:** Exactly what kind of employment do you produce by giving this \$20 million, would be the next question on my list.

**Hon. Mr. Bennett:** In the work market?

**Mr. Dukszta:** Yes.

**Hon. Mr. Bennett:** Construction or firms?

**Mr. Dukszta:** I don't know how they relate to the construction industry or whether they are casual labour or part-time labour. That is why I am asking Mr. Wronski and you.

**Hon. Mr. Bennett:** Man-years of employment.

**Mr. Dukszta:** If you like, I will ask for the figures and the hours they do per week, how many people and how many hours per week.

**Mr. Wronski:** We can probably estimate for the member the number of jobs.

**Mr. Dukszta:** If you like we can concentrate on Toronto because most of my questioning will be in that direction. You can give me, if you like, general figures too.

**Mr. Wronski:** I can probably produce for the afternoon a split of Metropolitan Toronto from the general figures regarding employment. I don't have them with me.

**Mr. Dukszta:** You don't have them at all?

**Mr. Wronski:** I don't have them with me, but we can produce them this afternoon.

**Mr. Dukszta:** Can you estimate at all how many jobs are provided? There is such a difference in what the city of Toronto got for 1976-77, which was, I think, \$1,307,666—it was 100 per cent of the entitlement—and what you have given them, saying that you wouldn't give any more, for this year, 1979-80, which is \$321,224, or 25 per cent of the entitlement. Allowing for inflation, in effect it's about 18 per cent of the original entitlement for 1976-77.

**Mr. Wronski:** I think the city of Toronto is not the only municipality which has received much less in the last years of the program than in the first years.

**Mr. Dukszta:** Good. Let me reverse this question: How many municipalities received much less and have complained to you? Or even those who haven't complained. Just give me the list of the municipalities who have received much less. Have you got that?

**Mr. Wronski:** Percentage-wise?

**Mr. Dukszta:** No, how many big municipalities have received less?

**Mr. Wronski:** Practically every municipality received less than it asked for this year, for a very simple reason. When the program started in the 1974-75 fiscal year, only 133 municipalities applied for the program. In 1978-79, 411 applied for the program and, in 1979-80, 639. Yet the total program cash flow allocation for the fiscal year is still the same. Therefore, obviously, to serve as wide a spectrum as possible provincially we had to reduce the amounts given. I read to the member the formula through which we are distributing that money.

**Hon. Mr. Bennett:** Let's just not forget it's 100 per cent provincially funded. That's number one. If the municipality wanted to have a compatible or a piggybacking program, that would be entirely up to it.

**Mr. Dukszta:** Mr. Bennett, you know they don't have—

**Hon. Mr. Bennett:** Just a moment, let me finish. Number two, let's not forget that not one dime goes back to the province. On the repayment program it goes into a circulating account that's entirely at the direction of the municipality, not the province. In other words, if the municipality in the Ontario Home

Renewal Program wishes to give special incentives within the guidelines of the program, that's its business. On the other hand, if the repayment comes back into the municipal coffers, what is supposed to happen to it is, it's supposed to be recirculated into the home renewal program which, to some extent at least, should be comparable to some of the inflation.

**Mr. Dukszta:** Let me deal with what you just said. The program has two faults. First of all, the municipalities can't raise the money quite as easily as the province because of the nature of the tax base they have. Two, the program was designed for two purposes. In 1976 it was one of the big things the government was going to do, for both housing and the economy. Twenty million dollars in 1976 is now worth much less than that.

**Hon. Mr. Bennett:** We didn't have \$20 million in 1976.

**Mr. Dukszta:** It started in 1976. It may have started earlier.

**Hon. Mr. Bennett:** It was \$10 million.

**Mr. Dukszta:** The last figures I have, which I want to use to compare, are for 1976-77. If you have more, it's all right. Let me just talk of the last four years then and don't distract me. Mr. Minister, are you listening?

**Hon. Mr. Bennett:** I am listening.

**Mr. Dukszta:** There were two purposes in doing this: the protection and upgrading, upkeep, of the existing stock, which has a direct relationship to the provision of housing generally and is a very useful and good way of doing it; and the provision of an employment facility for an economy as depressed as ours.

Twenty million dollars in 1976-77 is worth infinitely less, maybe no more than \$17 million, right now. Already you have fallen behind the basic program designed four years ago. Once the program started, people looked through the housing stock and other things and realized they needed, of course, and started requesting, more money to do those two basic things which the government promised and which it now appears to be welching on.

I have figures from you that the municipalities, defining their needs, have already requested \$16 million more—these are your own figures—than what the program is designed to give. It means you must, in effect, react towards what is a pressing need. So instead you have spread it thinly across, to the degree that many municipalities now have only a small percentage of the money available.

According to the figures I have here—and I don't want to go into detail of how much less other municipalities got, unless I have an infinite amount of time to go over each municipality—in the case of Toronto, you have now reduced the entire budget in the first three, virtually in the first few, months of this present year to \$321,224. Would you comment? What effect will it have on the existing problems or existing programs on protecting the housing and providing the jobs?

**Hon. Mr. Bennett:** First of all, let us get something very clear. You say the province promised. The province implemented a program on a one-year basis. It was to stimulate and encourage people to look at the possibility of upgrading and improving housing stock in the various municipalities across this province, indeed, in the unorganized territories as well. There was nothing said at the time by the province that it had to be continually exclusive of the province of Ontario to finance this type of program.

Secondly, we made it incumbent upon the municipalities and others that there must be some standards we could work with. So the housing standards officers' group has been consulted and the standards must be there before you can acquire. That has been one of the things we have been able to accomplish. We have many more municipalities today that have standards, rebuildings, residential building requirements within their municipalities which they did not have prior to the implementation of the Ontario Home Renewal Program.

What I have tried to convince government of, and we have to the degree we have shown we are going to continue the program for a period of time, is to give it more than just a one-year extension. The fact still remains, the promise has not been made that it's an ongoing program forever and a day. At the moment, we have \$20 million in the current year which has been an increase from last year and an increase from the year before.

**Mr. Dukszta:** Twenty million dollars is not an increase. It's been the same amount of money for a number of years now.

**Hon. Mr. Bennett:** Eighteen million dollars last year, if I recall correctly. I'm going by memory now. You can look in this book. To me, \$2 million is an increase. It may not be an increase by NDP standards, but by me, \$2 million cash is an increase.

**Mr. Dukszta:** No advertising.

**Hon. Mr. Bennett:** It's a program that has not been reduced from last year's expenditure in any way, shape or form.

**Mr. Dukszta:** It is reducing by inflation.

**Hon. Mr. Bennett:** Explain it.

**Mr. Dukszta:** Okay, finish.

**Hon. Mr. Bennett:** I suppose if you want to use that analysis, everything we do in life is reduced by inflation.

**Mr. Dukszta:** Then we have to allow for it and we do allow for it.

**Hon. Mr. Bennett:** We don't in all cases, do we?

**Mr. Dukszta:** Most of the cases.

**Hon. Mr. Bennett:** I just listened to the case about mortgages. The fact is, the promise was we were going to attempt to upgrade. About a third of the housing stock in Ontario that requires the upgrading has been accommodated within the \$100 million we've already put out into the marketplace at 100 per cent provincial.

I said in the opening remarks, one of the things we were attempting to do with the federal government was take the Residential Rehabilitation Assistance Program that's at present with the feds and make it inclusive in the community services contribution program and allow RRAP money to be blended in with the Ontario Home Renewal Program, which would expand the numbers of dollars available on a general upgrading of housing in this province.

In other words, rather than just having the RRAP funds relate to neighbourhood improvement areas or a small portion beyond the neighbourhood improvement areas, it could be on a much more general basis.

You talk about \$16 million more. Sure, when somebody else is footing the entire bill, why not ask for the sky? If you were to go to \$36 million, it could likely go to \$56 million or to \$60 million in one year. The fact is, the Treasurer of Ontario (Mr. F. S. Miller) said very clearly, with my colleagues in cabinet, \$20 million on a straight giveaway program, where there's nothing to be repaid to the coffers of Ontario, is a very generous position to take in the upgrading of housing stock. We don't have to be in it exclusively.

Then you talk about what Metropolitan Toronto got. We are trying to deal with all municipalities, whether it be Metropolitan Toronto, Brantford or Waterloo, on a equitable basis. You talk about first come, first served. The fact is, when you get 600-and-some-odd municipalities participating, it's pretty hard to say we deal with them on a first-come, first-served basis. Certainly we

give a cutoff date, because if we didn't give a cutoff date, how in heck would we ever get around to allocating funds to the rest of the municipalities?

**Mr. Dukszta:** You mentioned that last year it was \$18 million and now it's \$20 million. But you actually spent, in 1977, \$23 million which was allotted for that program. Am I correct?

**Mr. Wronski:** At that time we still had in operation what was known as OHRP rental. We had over \$2 million devoted to that program, which ceased to operate.

[12:00]

**Mr. Dukszta:** We are still talking of just over \$20 million in 1977. So there hasn't been an increase the way the minister has claimed. I just wanted to catch him on that point. Am I right?

**Mr. Wronski:** There has, in fact, been an increase towards home ownership; in other words, to single-family or—whatever you want to call them—small housing units because that money—

**Mr. Dukszta:** But the amount is still the same, isn't it, really? I mean, if it was over \$20 million in 1977, and it seems to be \$20 million right now, I don't see how there could be that much difference in allowing for new factors.

Mr. Minister, are you listening for a minute? If it was over \$20 million in 1977 and it is \$20 million in 1978-79, I don't see where the increase came from. I mean, Mr. Wronski has just confirmed this.

**Hon. Mr. Bennett:** He's talking about two programs. We had a program for upgrading—

**Mr. Dukszta:** No, we allowed for the other program because it was \$23 million.

**Mr. Vice-Chairman:** Would you mind, when you ask the minister a question, let him finish with his answer and then you—

**Mr. Dukszta:** Well, I am pointing out to you that Mr. Wronski answered for him but the minister was not listening.

**Hon. Mr. Bennett:** If he answered the question, why ask me?

**Mr. Dukszta:** Well, he answered, but there seems to be a difference of opinion.

Back to the city of Toronto: You must have received a copy of the letter on the subject of housing rehabilitation funding. It ends by saying that a major recommendation is (1) that the Minister of Housing immediately restore funding to the city of Toronto, and at the agreed-upon formula for the Ontario Home Renewal Program for the balance of the 1979 fiscal year, and (2) that the Minister

of Housing be requested to institute a review of the OHRP to consider the entire structure of the program, and in particular the formula under which funds are allocated.

That is their request. You have to decide whether you are going to do it or not.

I want to point out again to you that—let me go back to the jobs—the reduction to such a degree, to more than \$321,000, which is 25 per cent of the allotment, will have a significant effect on the housing starts and employment possibilities in the city of Toronto.

Does it not concern you that there will be a significant loss of jobs in the city of Toronto because of that? And are you aware, or have you paid any attention to the fact, that this will increase our unemployment province-wide, specifically in this municipality, and probably in every other municipality in Ontario?

**Hon. Mr. Bennett:** Let us get it straight, doctor. Clearly, it is not my responsibility to see that the whole construction industry is put back to work, obviously. And under OHRP I want to make it clear again to you, it doesn't mean that the province has to be in this game singularly. If Metropolitan Toronto or the city of Toronto thinks it's such a viable program—obviously they do because they make application for every dollar that could be made available to them—and they can find money in their budgets for so many other things, maybe they would like to attempt to piggyback on this program if they think it's so valuable for employment opportunities.

There are no restrictions, doctor. Just let me finish.

**Mr. Dukszta:** I'm listening, I'm listening.

**Hon. Mr. Bennett:** Not very well, not very well. Obviously we have a responsibility to try to put a program into being and I think it is operating very effectively in most towns across this province, Toronto included.

**Mr. Dukszta:** Are you saying, then, that the city of Toronto or any other municipality should be basically responsible for provision of employment for the people, and not the government, and specifically the Minister of Housing, in the construction industry?

**Hon. Mr. Bennett:** I am saying very clearly—

**Mr. Dukszta:** Are you saying that you don't want to do it?

**Hon. Mr. Bennett:** No. Of course that would be the way you would distort any answer I give to a question, obviously because it's a one-sided deal with you.

**Mr. Dukszta:** Can I rephrase it?

**Hon. Mr. Bennett:** I am saying, very frankly, there are three or four levels of government in this country that have that responsibility. The whole responsibility of upgrading and improving housing stock in Ontario does not rest singly with the provincial government, any more than it does in complete provision of public housing. In any municipality there is participation usually from all levels of government.

Frankly, we have put \$20 million into this program. There is a revolving amount of money that is paid back to municipalities; the unforgivable portion of those loans that are put out, comes back to municipalities.

Just listen to this carefully and see if you can understand it. There is money that is paid back to the municipalities which goes into a circulating account, which is to enhance the number of dollars they have available for lending back out into the home renewal program in their particular community. It never is recaptured or regained by the Treasurer of Ontario. It is given entirely to the municipality. They assign the money in accordance with their policies, standards, building inspectors, housing standards officers, and so on. The repayment of the portion that is unforgivable, that is not forgivable, comes back to them.

That's part of the system. Over the period of the next five years, with the amount of money we are putting into this program, we anticipate—and, you know, we could be wrong by a year or two—that we will have accomplished very well what we set out to do: upgrade the housing stock in this province at a socially acceptable level. That is, provided we don't have people like you and others who then say to us we should expand the criteria again so we take in a whole raft of new ones.

**Mr. Dukszta:** You are aware, Mr. Minister, that upgrading the existing stock is a yearly effort. It is not as if once you upgrade it, it remains upgraded. There are such things as time, destruction, and everything else going on, which constantly deteriorate existing housing stock. A program like that is, in effect, a perennial program in which you continually have to renew and upgrade the existing stock. You cannot say you are going to do it for two or three years or otherwise, and withdraw. It is not a self-limiting program.

Not only does it help the existing housing stock, but above all it is an obvious way of addressing the progressively worsening situation of unemployment in Ontario. This is one of your responsibilities. You simply cannot

hide behind the municipalities or behind the federal government and say, "It has nothing to do with me." It has.

**Hon. Mr. Bennett:** Oh, no.

**Mr. Dukszta:** You are the guy who is responsible for the ministry—

**Hon. Mr. Bennett:** You can distort anybody's answers better than anyone I have heard of. Mind you, I guess it's because of your profession.

**Mr. Dukszta:** I am just clearly understanding what you are saying; I am not distorting at the moment.

**Hon. Mr. Bennett:** I have never said, Mr. Chairman—

**Mr. Dukszta:** You have said it is not only your responsibility—

**Mr. Vice-Chairman:** Order, order.

**Hon. Mr. Bennett:** I have never said, Mr. Chairman, it was not our responsibility. I said it was not singularly the province's responsibility.

**Mr. Dukszta:** All right, but it's the biggest responsibility you have.

**Hon. Mr. Bennett:** Obviously the municipality has some taxpayers as well.

Let me just ask the member—there are a couple of things. Frankly, you would have us expand this program. I have a number of dollars within the Ministry of Housing to run the various programs, whether it be public housing and whatever else we do. We live within those dollars. If you want more money in the OHRP, maybe you would like to tell me which program you would like us to cut because you're the great party that keeps saying government expenditures should be reduced, the taxes shouldn't continue to increase, the deficit shouldn't go any higher.

**Mr. Dukszta:** No, I never suggested that. You're mixing me up with Mr. Epp.

**Hon. Mr. Bennett:** No, no, no. You fellows have different positions: one at committee, one in the House, and one at the hustings.

**Mr. Dukszta:** Let me go back to the point. Let me point out to you, the need is there because the municipalities have consistently asked for as much, according to your own statement, as \$16 million. You told them to define the need. They defined the need. They want to have money both for the upgrading of present housing stock and the provision of employment. That goes back to your responsibility.

I say to you, this is a very important way of stimulating the economy. If you, by way of cabinet decisions, gave, for example, \$25 million to this program, you could provide

as many as 1,500 extra jobs, which would significantly affect our present unemployment figures. Are you not concerned, or are you going to say this is still the responsibility of someone else?

**Hon. Mr. Bennett:** Mr. Chairman, it's obvious the member wants to try to distort my statement or expand his own point of view.

Obviously we didn't put \$20 million into this program just for the fun of it but because we realized its importance—let me emphasize this—particularly to the smaller communities. Metropolitan Toronto is a more self-sufficient community in job creation than, let's say, some of the smaller communities in Ontario. I look at this program as having I think a greater impact, and I make no apologies to you nor to the members from Ottawa, or the smaller communities of this province, in trying to upgrade and improve their standards of housing.

Today in Metropolitan Toronto a great deal of upgrading is being done by—you wouldn't want to recognize it—the private sector, the fellows who would like to make a profit and enhance the tax position of this community on behalf of the municipality. They don't require provincial government support. They are doing a very notable job in this community in increasing employment.

Frankly, I recognize our responsibility. I recognize—

**Mr. Dukszta:** If you recognize it, do something about it.

**Hon. Mr. Bennett:** Of course, \$20 million to you is nothing, obviously.

**Mr. Dukszta:** No, it's a fair amount of money. I want more money than that.

**Hon. Mr. Bennett:** Sure, everything is more money. You would have us give the world away and hope like hell somebody would give you change tomorrow to continue to exist.

**Mr. Vice-Chairman:** I think this discussion is deteriorating very fast.

**Mr. Dukszta:** One second. Mr. Chairman, let me finish it; and Mr. Makarchuk wants to come in on that point too.

Just to answer that, Mr. Minister, I believe in an essential investment a government must make in an economy involves the creation of jobs, and on that point I think you are failing, lamentably.

**Hon. Mr. Bennett:** That's your opinion; and you should make that known, your opinion only.

**Mr. Dukszta:** You have just proven by the series of answers you have given that you are not prepared to increase—

**Hon. Mr. Bennett:** That's wrong.

**Mr. Dukszta:** —the city of Toronto to its full entitlement; and you are probably not—if I had the time for further questions I could show this—prepared to increase, or to give the full entitlement to other municipalities—

**Hon. Mr. Bennett:** That's correct.

**Mr. Dukszta:** —exactly—with understanding that you are neither protecting the existing housing stock nor are you creating extra jobs; or even making sure of limiting the present unemployment. On that, I charge you.

**Hon. Mr. Bennett:** Well you can charge anything you want. I'm just going to tell you quite frankly today, we've got \$20 million; what other province is involved to the degree Ontario is? The fact is we are tying the federal program, RRAP, into this to make it a more comprehensive one. You can say whatever you want, it is not going to have a great deal of impact on my particular position. I think \$20 million from the people of Ontario is a straight gift to the municipalities. Indeed with the revolving account that they get back, I think it is substantial towards mitigating the unemployment problem; but we're not going to solve the unemployment problem in the construction field, singularly, by the home renewal program.

**Mr. Dukszta:** But you could try at least.

**Hon. Mr. Bennett:** Well, \$20 million I would think is some effort.

**Mr. Dukszta:** But if you increased that it would be much more obvious. There is a greater need than that.

**Hon. Mr. Bennett:** By NDP standards it might not be, but by my standards it's quite a bit. The fact is we have taken some very aggressive steps. We've upgraded a substantial number of units in this province, and with the success of the program over the next five years we think we'll pretty well achieve what we aimed to do at the beginning of the program.

**Mr. Dukszta:** You want to sound like a Lady Bountiful, but you end up acting like a wicked stepmother towards the municipalities.

**Mr. Chairman:** Mr. Makarchuk, do you want to go on?

**Mr. Makarchuk:** Yes; I have been sitting here containing myself under very great difficulty. I must admit, Mr. Minister, that I do endorse the feelings of my colleague in this thing, in terms of the amount you are spending. In relation to the potential that's there—the jobs you create, the assistance you pro-

vide for the small businessman, all the little things that count in a little community—this is one of the few programs I can say this government has initiated that has resulted in some very direct benefits to the people at the lower level. It hasn't gone to any sort of major corporations, it hasn't gone up into the clouds. The effects were felt directly in terms of employment; in terms of, as I said, small business, and in terms of people who own their homes.

Why you don't expand it I really don't know. We've argued this point in past years, about the same program, that you should triple, quadruple the amount of money that you put out. You know it's a lot simpler, a lot more beneficial, to put the money directly into hiring those people on the streets, who otherwise probably will be looking for welfare when they could be putting shingles on a roof or stuffing insulation, who could be—

**Hon. Mr. Bennett:** We have a program, CHIP, for that.

**Mr. Makarchuk:** Well all right, that's another program that has to be looked at. It's a matter of the social spending. Instead of paying it out in welfare or unemployment insurance, you can put people to work and at the same time have something in return. It's a good income-transfer program. In effect what you are doing is you are taking tax revenue, which comes from a heck of a lot of people.

You can't really say the municipalities should go out and do it, they can't collect income tax, they can't collect corporate tax and so on. They haven't got the tax base. It is an income transfer program. What you are doing is taking the income from the top bracket and transferring it down, one way or another. It's like a credit to the people at the bottom.

When you say you build up a revolving arrangement with the municipalities; sure you are building it up, but don't forget the forgivable portion is still there, and unless you keep feeding that capital into that municipality the funds are not going to revolve, they'll peter out.

I just want to stress again that it's a program you should defend and fight for with everything you have at your command when you are discussing your budget in cabinet and with the Treasurer (Mr. F. S. Miller), if the Treasurer is really serious. You mentioned earlier it's not your responsibility to put everybody to work; maybe it isn't your total responsibility, but as a responsible minister of this government employment is one of your responsibilities, and if there is anything

you can do within your capacity to put people to work you should bloody well move heaven and earth to try to do it. That's not something you throw away. When you say you have a limited amount of money, with deficits and whatever it is, I tell you if these jokers who are in charge right now were in charge in 1939—we didn't have any money to fight a war, we didn't have any money to finance anything; we were all broke, weren't we? Right.

**Hon. Mr. Bennett:** Was I?

**Mr. Makarchuk:** If the same bunch of jokers were in charge then that are in charge now Hitler and his gang would probably be running the country. Don't forget that at that time we had a gross national budget of something like \$8 billion, and we managed to go into a deficit of about \$2 billion every year, a quarter of our gross national budget. On comparison we would go into a deficit of about \$50 billion on the federal level. The country didn't go broke, you know. The country grew; it prospered and it developed. So let's not live by this mythology about the spending cutbacks.

**Hon. Mr. Bennett:** Mr. Makarchuk, I would agree with you. One of the sales pitches I have made to my colleagues, within my own ministry and within my resource policy area on the Ontario Home Renewal Program, have been based on the very things you have talked about, particularly the small communities and the importance of putting money into them. That's why we've given a weighting factor to small communities, we do see a greater direct employment opportunity as a result of the home renewal program in the smaller communities of Ontario than we do in metropolitan areas like Ottawa, Toronto and so on.

[12:15]

I've never backed away since I've been with the ministry, assisting the private sector in creating employment; but I still say it is not my job to create employment, it's the private sector's job, with the assistance of government policy and programs that would complement that effort. Frankly, I think that we're on the same wavelength, but in this program you could go on and on, forever and a day, increasing the number of dollars, however, there just is not the number of dollars to go along. Over the last five or six years there has been a revolving amount of money that has come back into the municipal coffers which complements the amount of money we give to them each year. Somebody asked the other day if there have been any complications or confusion out there; yes,

there has been. Some municipalities, for one reason or another—and I would accept the fact of lack of understanding—have not always applied the Ontario home renewal funds as the guidelines suggest. We have tried to correct those situations. You can talk about deficit financing but you know you're the same group which constantly says to the Treasurer "Look at the service charges you are building up against the provincial debt, charges that eat or erode the amount of dollars we've got available for other programs." Well I tell you the government is as much aware of this as anyone. Now if you want to go blindly on, saying don't worry about the deficit, let's just continue to put ourselves deeper and deeper in debt; that service charge won't be eating up—what is it now, 14 cents of every dollar or something in that range, I forget the exact number—it will eat up an even greater percentage.

Frankly this is a good program. I've been delighted with the fact that we've retained \$20 million for it, because it was not what was projected, a reduction was anticipated. At \$20 million we think it complemented the revolving account; if we get the RRAP funds from the federal government to add to it, we'll enlarge the opportunity for enhancing some of the home renewal programs in the smaller communities.

I make only one other comment. It's fine for those in metropolitan Ottawa and Toronto, in London and Hamilton, the major cities, to start talking about why don't they get everything they want. I'll tell you frankly, at the rate they go they are always the ones who want to take their full proportion, and to hell with the little fellow, let him fend for himself. The problem is that we're here to try and give some degree of security and understanding, to observe the problems of the smaller communities.

While we won't all agree with the formula, and it's easy to say spend more money, the fact is this is the amount of money we have at the moment. You said triple, quadruple the money. I'll just tell you this much, in some communities tripling and quadrupling the money would not triple or quadruple the amount of work that would be done, because when some communities get too much money the tradesmen become overemployed and prices start to increase. As long as there is a hungrieness out there the competitive bidding is—and Mr. Epp talked about that earlier this morning in relation to security services—when there is a hungry market out there, a hungry industry, the price of doing the work is sometimes considerably different.

**Mr. Makarchuk:** I think, Mr. Minister, on the administration of the program—and as you know I have had some experience with it; we were probably the first ones to take advantage of it, I started it in Brantford—there is competitive bidding. You ask for at least two, and generally three estimates on whatever anybody wants to do; it balances itself out in that sense. You are going to decide, I presume, there are eight million people so there will be a certain amount per capita. On that basis you've got about two and a half dollars or something of that level per capita right now, I'm not sure. You could probably weight your formula so that the communities of eastern Ontario get a certain percentage more, whatever it is that the deprived areas should receive; you could work out a formula in that way. The municipalities then at least have some knowledge, they are assured of getting so much money; whether they apply for it or not is their problem, but if they wish to apply for it it's available. I think you could know it out on that basis.

That underlines another problem in terms of this program. It's a start-stop routine; they make plans thinking they are going to get so much money based on your formula, and the money doesn't arrive. They get the thing under way, people's expectations are built up; they fill out the forms, they get the estimates, it's all lying in the engineer's office, or whoever is administering it at the municipal level; at that point they find out there is no money and they are on the phone. What's happened? What's going on with the program?

You have to be a lot more flexible, you must provide administrative flexibility. You have to look at it, in the terms of the amount of money you are going to provide, not just as \$20 million—we've got \$20 million and we'll pay it out, we'll share it, under whatever formula is in use right now; the municipalities which don't apply don't get anything and the ones which do apply, if they are smaller they'll get a little bit more, if they are big they'll get a little less. I don't think that's the way you should run it. I think there could be a better way. There should be some understanding with the municipalities to say, "Look, if we are entitled to this much and we apply for it we are going to get it, therefore, we could—"

**Hon. Mr. Bennett:** You will have an open-ended coffer.

**Mr. Makarchuk:** No, it isn't open-ended.

**Hon. Mr. Bennett:** Oh yes it is.

**Mr. Makarchuk:** No, you could put each municipality, as you do right now, on a per capita basis; you've got it on a per capita basis at this moment. At least you did have; all right, how do you decide what each municipality gets?

**Hon. Mr. Bennett:** I suppose I could explain it again.

**Mr. Wronski:** We can't do it the way the member suggests Mr. Chairman, because the municipalities' rates of spending are different. We have quite a number of municipalities which don't even spend their quarterly allocation.

As I said before, we have to look at the rate of spending when we allocate the money. Everybody is entitled to the money on the per capita formula, but there are other mitigating circumstances: the rate they spent money last year; whether or not they have responded to our request for a need evaluation, in other words a request. If they don't provide the latter there is no reason for us to keep that money for a year and not put it into operation, that money goes to another municipality.

**Mr. Makarchuk:** But the point is that if the municipality refuses, if it does not have the setup or the organization, or does not participate in the program; that's not your problem, it's their problem, it's a municipal problem.

I'm concerned about the municipality that wants to go in; that is in the program, wants to operate in the program and wants to have some indication as to exactly what's available. In other words they want to have something concrete; they are going to get so many hundred thousand dollars or whatever it is, \$50,000. They want to know that it is going to be there. They start the program on the per capita basis, and then they find out they are not getting any more money, because there was \$20 million but it has allocated it here, there and everywhere else. You don't keep your money lying around, nobody does that.

**Mr. Wronski:** I indicated to Mr. Dukszta that the program has been growing consistently from its beginning in 1974 and 1975. From 133 municipalities which wanted to enter the program at that time, we now have 640. Obviously, the amounts have to be stretched out in order to satisfy those who want money.

**Mr. Makarchuk:** That's right, if the amount is the same you have to stretch it more. Why don't you increase the amount, there will be less stretching?

**Mr. Wronski:** The significant part is what the situation might be if the program was not in operation. When it started in 1974-75, our client group, that is people with an income under \$12,500, and whose homes were in a bad state of repair, numbered about 95,000 across the province. It grew at a rate of about three to five per cent. If there were no programs whatsoever we would have now had about 115,000 to 120,000 dwelling units of that kind; however right now, at the end of this fiscal year, we should be in a position of only 77,000 of those homes. If the program progresses, which I hope the minister will be able to arrange, we feel that within five to seven years, using the revolving fund approach, we not only have arrested the rate of growth in demand and made inroads in repair, but also have brought practically full satisfaction to that market.

**Mr. Makarchuk:** I'm not arguing with your figures, the figures are not the point in the argument. There is no question that the number of houses that need repair is diminishing. Fine, that's the result of the program. All I'm saying is that this program can be accelerated; it could be run in a more organized fashion in the sense that the municipalities should know what they are going to get so they can plan their local program better. In terms of employment and in terms of all the other benefits that fall out of this program, they are in the hands of the minister; and he's not doing what would greatly assist them.

**Hon. Mr. Bennett:** Just a moment. I think in fairness to the program, each municipality has a pretty good idea what they are going to be getting from year to year. They have had a rough idea of the dollars and cents we've come down to.

**Mr. Makarchuk:** I think it's too damn rough, that's the problem.

**Hon. Mr. Bennett:** Will you tell me, Mr. Makarchuk, on what other socially-assisted program you can see the end in sight?

**Mr. Makarchuk:** Listen, why do we have to—

**Hon. Mr. Bennett:** You don't know of any.

**Mr. Makarchuk:** Why do we have to look at it from the point of view that each social assistance program has to terminate sometime in the future? If the program has a social value and it performs a service in society you are going to continue with it.

**Hon. Mr. Bennett:** You are absolutely right. But at least we can say to you with the amount of dollars we're making available and the rollover funds at the municipal level at the moment, not even taking into account if

the RRAP funds are included, we anticipate—and I think there is a fair amount of agreement on this with the outside forces, the housing standard officers and so on—with the five-year period very well coming to a conclusion with the number of units we planned to cover. There will always be some that will need upgrading, as Mr. Dukszta said. Those we've upgraded today might find themselves back in the requirement in five years time. I don't know. At least it's the one program I see where we can see with respect to the government's participation, without any participation from the private sector at this point, a wrap-up date, for the bulk, the vast majority of the units. I think it's an accomplishment. You can neglect it or refuse it but at least it's an accomplishment that government has taken the initiative to get on with it.

**Mr. Makarchuk:** I wouldn't be as optimistic as you are that in five years you are going to have all the houses and everything else taken care of.

**Hon. Mr. Bennett:** I said the bulk.

**Mr. Makarchuk:** Maybe the bulk, but I think the chances are it will and should continue forever. The argument boils down to the effect that not only is it a socially useful program but it's also useful in terms of straight economics. It's an economic program and a provincial program in terms of employment, benefits to small business and social benefits. It's a hell of a good program that should be expanded in comparison to some of the other things you are doing.

**Hon. Mr. Bennett:** What are some of the others?

**Mr. Makarchuk:** You gave Ford money.

**Hon. Mr. Bennett:** That's not an employment expansion program.

**Mr. Makarchuk:** Wait a minute. I think if you invested \$48 million or whatever it is in this program, you'd generate a hell of a lot more jobs than you will in that program.

**Hon. Mr. Bennett:** In defence of that one, and I shouldn't be defending it, that's an ongoing program too, forever and a day.

**Mr. Makarchuk:** I'm not saying you should cut that one out.

**Hon. Mr. Bennett:** Well, you intimated it.

**Mr. Makarchuk:** No. I'm saying in comparison if you are spending \$20 million here and \$48 million there—

**Mr. Chairman:** I think the whole argument, yours and Dr. Dukszta's, is all you want done is more money for this program.

**Mr. Makarchuk:** Are you the Chairman or playing the part of the critic in this thing?

**Mr. Chairman:** I'm trying to chair it in the best way I know how, but you are very difficult to control. You always have been when I've been a chairman of a committee.

**Mr. Makarchuk:** I have another item dealing with the downtown renewal.

**Hon. Mr. Bennett:** I didn't think you'd ever get to it.

**Mr. Makarchuk:** This is from a couple of the muttonheads that are involved in this situation.

**Hon. Mr. Bennett:** What did you call them?

**Mr. Makarchuk:** Muttonheads. I'm speaking advisedly, having worked in council, with some of them.

**Hon. Mr. Bennett:** I didn't know whom you were referring to.

**Mr. Makarchuk:** What is the status in Brantford? The money is still available, as far as you know, providing they come through with some kind of a plan. As I understand it, at this time the whole thing is very much in the air and everything else. You've given them a time limit up to December 3 or something like that. Hopefully by that time they will come through. Is that where it sits?

**Hon. Mr. Bennett:** Brantford was extended the opportunity back 15, 16 or 17 months ago to participate in a downtown revitalization program for a rather substantial amount of money \$3.2 million, with an anticipated additional half million dollars, if and when funds became available, to entertain that project. They had a local group that put together what they call the revitalization area. The bylaw has been read, declared and approved by the minister. Some lands have been acquired within the site, both by the municipality and I believe by the Homestead group, the promoter of the project. They have had four extensions by the minister. They have been requested from day one to put in place with us who the principal developer is going to be of the project and what will be the anchor store, a national company like Eaton's, Simpsons, Sears, Loblaws, Dominion, Steinberg, A and P, IGA or somebody of that particular drawing power.

Frankly, over this period of time they seem to have dilly-dallied around. There's a Valley expression I'd use except there are some female parties present. Anyway they have dallied and dallied around and have come to me again at the end of October saying they haven't accomplished, in my opinion, the square root because they haven't put anything before me.

[12:30]

I have other municipalities which would love to know what in hell are we doing, allowing this municipality—you are not alone, there are one or two others in the province that are not in much better shape—to hold these funds when we can't provide some for the other communities that would appear at the moment to be more in need of downtown revitalization funds.

The mayor along with an alderman and one or two others came in to see me. We discussed the situation. They wanted six months and I said no way. I felt six months would make it another dilly-dallying situation and no one would ever get to making a decision. So if the ministry proviso says 30 days, I gave them until the third or fourth of December, which is past the weekend. By that time I want in place with me: one, who is the developer; and two, which is the national or anchor store that will be in the project. Either I get some positive indication by the third of December or the whole project, and I think I made it rather clear to the mayor, would be under question.

**Mr. Makarchuk:** The problem with them is when they came back they couldn't agree on what you had said.

**Hon. Mr. Bennett:** I think I expressed to the press, to the mayor, and others exactly what we'd said. There had seemed to be an agreement. The mayor was delighted to take 30 days rather than none. I suppose that's not a hell of an option, but that's exactly the way I thought I had to play the game, because if I gave them any great length of time to make up their minds they would be back in 60 days asking for the same type of an extension. I think for governments to hold in reserve and not allow other communities to participate while they are holding in reserve is wrong.

I hope Brantford will get on with it. I understand, through verbal discussions with the city clerk and one or two others who have called the ministry, not me specifically, that the great firm—great firm because of its origins in Ottawa—the Campeau Corporation is now doing to help Brantford.

**Mr. Makarchuk:** Obviously you haven't heard the latest.

**Hon. Mr. Bennett:** I don't pretend to keep current with it, because the gossip line is sometimes more than I can stomach.

**Mr. Makarchuk:** My knowledge is, shall we say not the gossip line, I have my contacts or I know what—

**Hon. Mr. Bennett:** I hope you would in that community.

**Mr. Makarchuk:** Unfortunately, I feel very pessimistic about the future of that particular project at this time. There are some other developers, whom I contacted personally, who may be interested in trying to pick up the pieces. But as I understand it the city is finding that it may be liable to the Homestead Project, or that they cannot extricate themselves from the Homestead Project because they entered into agreements without any deadline as to when the agreements would terminate.

Thank you very much on that point, Mr. Minister, it's something that is of concern to me and I think your approach is reasonably fair.

**Hon. Mr. Bennett:** What you are saying to me is that if we terminate the provincial arrangement it automatically terminates any other agreements, because there is no such a thing as a downtown revitalization in the bylaw that we revoked.

**Mr. Makarchuk:** It's almost that bad.

**Hon. Mr. Bennett:** I'm an optimist, I'd like to think we can get on with the program. Brantford surely to goodness has been fiddling and messing around—that's the Valley expression I wanted to avoid a few minutes ago, but I'm going to get it out yet.

**Mr. Makarchuk:** As I said there are a couple of muttonheads in charge and that's the problem.

Item 2 agreed to.

**Mr. Vice-Chairman:** We could go on to planning and local planning.

**Mr. Handleman:** If you want to talk about local planning—

**Mr. Vice-Chairman:** Go ahead.

**Mr. Handleman:** No, I think it's 12:30.

**Mr. Vice-Chairman:** It isn't 12:30, you've got a minute. We have two and one half hours left after we go another minute.

**Mr. Handleman:** I know, but if we are to have any meaningful discussion I think we need more time than one minute, so I would like to move that we adjourn for lunch.

**Hon. Mr. Bennett:** Mr. Chairman I'd be delighted to continue after lunch. Is Mr. Davison going to be here today?

**Mr. Charlton:** I'm not sure.

**Hon. Mr. Bennett:** He asked for me to present a statement of agreement, on First Place in Hamilton. Also, I have remarks I wish to make to clear up a matter referred to in the opening remarks by Mr. Newman regarding the white paper and some of the things that I omitted in my answer.

The committee recessed at 12:35 p.m.

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No. G-7

# Legislature of Ontario Debates

## Official Report (Hansard)

General Government Committee

Estimates, Ministry of Housing



Third Session, 31st Parliament

Wednesday, November 14, 1979

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 14, 1979

The committee resumed at 2:03 p.m. in room 228.

### ESTIMATES, MINISTRY OF HOUSING (concluded)

On vote 2202, community planning program; item 2, plans administration:

**Mr. Handleman:** It was pointed out to me at the recess that item 3, local planning policy, was the area of my questioning.

Item 2 agreed to.

On item 3, local planning policy.

**Mr. Handleman:** I guess there is nothing in our society which involves more red tape than the ownership of real property. I would like to find out whether we have been able to progress in expanding the rights of property ownership, as distinct from the restrictions we have been placing on it traditionally, over the years.

I have written you a letter, Mr. Minister, and you asked me for clarification. I see Mr. Farrow is here. I've spoken to him on the phone about this, and I still don't understand his answer.

This might not be a bad time to point out that where a person purchases from two different people two adjoining pieces of property which have been severed a number of years ago, and then proceeds to exercise—

**Hon. Mr. Bennett:** Two pieces of property, side by side?

**Mr. Handleman:** Yes. Two pieces of adjoining property purchased from different people. There are separate deeds for them. Then, when the purchaser proceeds to exercise his normal right of property ownership to sell or build on either or both of them, he finds he must once again ask for permission to do so. If he had been properly advised, if his wife owned one and he had owned the other, there would be no problem.

We have recently run into two of those situations, and I bear some of the responsibility I understand. I find it incredible that this kind of restriction is imposed under the Planning Act. I wonder if you or Mr. Farrow could explain the rationale? I think I understand the legislation and the way it works; I don't understand the reasons for it. There

were probably some very sound planning reasons at one time, but in the rural areas particularly it makes little sense.

Before you go on to that, perhaps you could think about this one. A few years ago—

**Mr. Vice-Chairman:** How about doing one at a time?

**Mr. Handleman:** Okay. Do you want to do this one? They both have to do with severances.

**Hon. Mr. Bennett:** I'm sure members will recall a year or so ago—I think it was last December—we put through some amendments to the Planning Act to try to alleviate some of the difficulties that came about as a result of severances, where a piece of land was severed and then was eventually purchased by the same owner. In other words, a piece of property was severed, the Smiths owned one lot and the Browns owned the other; the Browns wanted to sell, so Smith bought. At that point, under the old act, immediately the severance was no longer recognized; the land became one piece of property again.

We amended the Planning Act so that in future once there was a severance it was always a severance. Some would ask why we didn't make it retroactive to those approved prior to that date. Mainly, it was because we understand there are a tremendous number of severances out in the marketplace, approved by municipalities over the last who knows how many years, that no one really has a handle on.

No one is sure what complications might come about if we were to give them all carte blanche severance, "once a severance, always a severance." It was felt that for those which had been approved in the past—and I think Mr. Farrow can talk on this. Was it a five-year period, Mr. Farrow? I forgot the exact period of time—but that was basically it, we should try to eliminate some problems they might experience.

**Mr. Handleman:** The effort to try to anticipate all problems leads to this kind of hardship.

**Hon. Mr. Bennett:** There is nothing to say they can't apply for the severance.

**Mr. Handleman:** I know. In the case I put before you they applied for the severance, the

committee of adjustment approved it, the regional planning board approved it, but the municipality appealed it to the Ontario Municipal Board and the OMB upheld the municipality. I can't get any reasons why the OMB upheld it; I haven't got a transcript, because the OMB doesn't take transcripts. I can't conceive of a single argument in favour of refusing that severance, but presumably the OMB and the municipality did. They appealed their own committee of adjustment re-severance order.

They have the right to do it; I'm not saying they don't. I just don't understand why they would be given this power. I can't conceive of the problems that would arise where you have already recognized that two parcels of land exist side by side and you suddenly say, "Never mind what we said before; they are now one parcel because the same owner owns them." We don't do that for subdivision lots. I can buy two subdivision lots and sell one if I want to.

**Mr. Farrow:** The reason goes back into history some way. At one point there was no such thing; if you had a deed you didn't need a consent. In those days, before subdivision control came along, it was customary when people were made aware there was going to be subdivision control talked of at council. They would sever their lands into a series of lots. It was decided the way to ensure these things couldn't be sold in order to beat the subdivision control was for them to make a statement that if you owned contiguous land you couldn't sell without a consent.

As you are aware, this past year we did change that to the extent of now saying with regard to any consent given since last year, once a consent is given that consent is always there, unless a committee in its wisdom says this provision does not run with that parcel of land. The reason we did not take that retroactively all the way back is there was some concern raised by a number of people—some lawyers, some planning people, some municipal councils—that there had been over the period of years a series of lots created.

This may have been the case in the OMB situation you are referring to, where the lot was created a number of years ago and it became two separate lots; today neither one of those separately would meet today's standards. It may have been that 15,000 square feet was required in those days with 100 feet frontage; now because of the soil characteristics and the health unit standards and various other municipal standards, they

raised that to 200 feet and a half acre or larger. In such a case, the board would be looking at today's zoning standards and saying, "I'm sorry, but that application does not conform."

**Mr. Handelman:** It seems to me when this kind of situation exists it should be registered against title. Presumably when Mr. Jones bought Mr. Brown's lot, when he was living on one of them, nobody told him he was now the owner of two lots. There is no registry in the registry office, there is no codicil on the deed, there is nothing that tells him he has put himself in that position. If there had been, presumably his lawyer would say, "You'd better tell Mrs. Jones to buy it." How on earth does a person know when this happens?

**Mr. Farrow:** His lawyer should have known, because this is something that has received a great deal of publicity over the years. As you are aware, the government has considered there had to be some way of resolving this, and a year ago we did resolve this for the new consent but we did not make it retroactive.

**Mr. Handelman:** Yes. I understand what you are saying. I just don't understand why. I take some of the responsibility, having been around here when it was done but not realizing this was happening. When you say the lawyer should have known, I find that lawyers should know an awful lot and don't. Somehow there should be some caution in the registry office on that.

I wanted to deal with rural severances, going back to another of your predecessors, Mr. Minister. I think it was in 1975, if I am not mistaken, that Don Irvine made a statement in the House enunciating a provincial policy on four severances per 100 acres. It was still left to municipal discretion as to whether they would go along with that. As you know, we are still hearing, every time it is turned down, the 25-acre and the 50-acre reservations are written in provincial policy.

Is there any followup at all on that statement of policy to determine whether it is being adapted generally by rural municipalities across the province? Have you determined how many of them just refuse to pay any attention to it?

**Mr. Farrow:** The policy was never an absolute, "Thou shalt allow four severances a lot."

**Mr. Handelman:** Oh, no. It was "you may."

**Mr. Farrow:** The province would not object if official plans came in with policies

like that in them. That was prior to the agricultural guidelines on developing and severing lots on good agricultural land. The government's position has changed on that. We are now not suggesting that municipalities allow only four severances on any good agricultural land. This has really been turned around to the point where we are saying there should be no development on good agricultural land unless there can be a very strong reason why that piece of land has to go rather than some other pieces of land that are not so well agriculturally-oriented.

This ministry has changed from recommending that as a wholesale policy, but we are still not objecting to a policy that would permit three or four—some of the recent official plans are more likely two and some of them three. We have made it quite clear, and I think while most of the consents were not on good agricultural land, the policy we have been advocating with regard to agricultural preservation has tended to make it more restrictive by a long shot.

[2:15]

**Mr. Handelman:** I think this kind of thing leads to confusion. There was a very restrictive policy on severances and the ministry would automatically file objections on many of them without even looking at the rationale. Then there was a policy Don Irvine announced and it became fairly widely known. Now we have repudiated that policy. But has it been done in a formal sense? You say you are still allowing them but you no longer agree with the policy. It does create confusion particularly among rural land owners.

I don't want to repeat all the old arguments about this being my capital and my retirement and I have nothing else besides my land. But those are the arguments and I think we should, if anything, be leaning towards the side of the property owner's rights, rather than placing undue restrictions on him, particularly when he's agriculturally zoned and there is no other way he can realize the inflated value of his land.

When we go to market value, I tell you these people are starting to be very concerned about not realizing the value. The only thing they can do is sell their land in order to get cash out of it and they don't want to do that. They don't mind selling a little bit of it to carry them through. That is by last question.

**Hon. Mr. Bennett:** I would say to Syd and to virtually all of the members gathered here, there is no problem in the field of

planning that is more contentious than severances, particularly in the rural communities. I suppose it comes down to the question of good judgement; where do you match a severance versus the economics versus the protection of food lands, plus the environmental aspects, and going on down the road, the ultimate cost to the taxpayer of Ontario and to the individual community?

I am sure it was as bad when you, Syd, were the minister, and when Don Irvine and John Rhodes and Bob Welch and others were Ministers of Municipal Affairs. It is just a nightmare; if you allow a person one severance, two severances, three severances, four severances, when do you start counting it as a subdivision? Adequate provision for services should be looked after by someone other than the general taxpayers of that community. At what point do you start considering costs related to education, busing and so on? At what point do you start considering how much good agricultural land is to be used on a severance basis for housing units?

The policy was, where a son or a daughter or a farmhand was directly involved in the employment of producing food on that farm, severances were pretty general and leniently given.

There are some communities in the province where virtually anybody who applies gets a severance. We had to put a freeze on those communities, because it became absolutely insane. I had one the other day in southwestern Ontario where a fellow has designed—

**Mr. Watson:** They are all sane people. It must have been something else that was insane.

**Hon. Mr. Bennett:** I didn't say it was insane. I never used the word one way or the other. I'll let you apply the description.

This individual came in for a 10-lots severance. He actually had a street built in with a cul-de-sac and he wanted 10 severances. Instead of going through a subdivision plan, he said this was a simpler way to do it. There's no doubt about that—and a hell of a lot cheaper too.

There is no provision. He admits there was nobody looking at him for sewer and water and other problems that would likely develop as a result of that operation. At the moment, I must admit I have appealed to the land severance committee that gave him the 10 severances. I believe that is a subdivision and not severance lots.

The other day I was speaking at a meeting when the farm committee was present, and I said if somebody ever came up with

a secret plan as to how you deal with severances and keep everybody happy—the agricultural food land preservation people, the environmentalists, the farmers—and also look after the municipalities so they are not being strangled to death with costs that arise as a result of strip development, then that individual would likely be the best-paid consultant in Ontario, if not the whole country.

**Mr. Handleman:** I would think by this time Mr. Farrow has all those answers. He has heard all of the questions.

**Hon. Mr. Bennett:** Oh, he has heard all of the questions. I shouldn't say I wish he did have all the answers; he might take my advice and go out into the private market.

**Mr. Handleman:** Yes, there is a job waiting for him.

**Hon. Mr. Bennett:** He could make substantially more than being a civil servant.

But, Syd, regardless of which policy you bring in, you can be sure that tomorrow somebody will oppose it. It doesn't make any difference which side of the House he happens to sit on—I get as many government members as opposition members who are very unhappy about our severance policy. In one case it is too restrictive; in the next it is too lenient. I remember being with Murray Gaunt in one where he thought our severance policy was too restrictive; he might have been right, because we did grant some extensions of the rights to land use in that case.

Herb was with us yesterday when we met with the Ontario real estate people who are looking at this very question at the moment. What are the restrictions on private lands and where have we infringed—not just from planning but from all other aspects of government, federal, provincial and municipal? For every land restriction we want to lift, they are the same people who think maybe we should put on another restriction to safeguard against unorthodox type of development next door to a residential community. So it depends on which side of the fence you happen to be on and which day of the week, and whether you are the lawyer or the owner or whether you are the purchaser.

I can answer no more clearly than to say we have tried to work with the land severance and land adjustment committees with a degree of success, but I have no doubt we will always have wide differences of opinion.

**Mr. Farrow:** With regard to many of these things, one of the ways we try to get the people to understand it is in an educational sense. A lot of it is with the land division committees and committees of adjustment. It

isn't an absolute "thou shalt not" or "thou shalt." There are so many things that have to be taken into consideration—knowing the specific people, the specific piece of land and the specific municipality—that we rely on quite heavily.

I think you would agree it has been working quite well if you were to look at the consents that are going through land division committees by and large and committees of adjustment, as compared with what there were a few years ago. We are not having a great deal of agricultural land that is being used up in areas that cannot be justified. We are not having a lot of consents which this ministry is having to appeal.

We have had to appeal some, as the minister said, this last week. We are expending quite an effort on education with those agencies that are granting the consents. This evening, as a matter of fact, I am meeting with one of the committees of adjustment, and I am sure this will be one of the items which will be discussed.

**Mr. Handleman:** The only thing is whether the ministry takes a neutral stance or whether it takes a stance on the side of the so-called "community" or on the side of property rights. To express my preference, I would come down slightly on the side of the rights of property ownership. Others would probably come down on the other side. I understand the dilemma you find yourself in. I just wonder whether the ministry has adopted a philosophy, either on the side of property ownership or on the side of the community.

**Mr. Farrow:** We feel we are coming down—

**Mr. Handleman:** Neutral?

**Mr. Farrow:** No, on the side of justice.

**Mr. Handleman:** I pass, Mr. Chairman. You can't argue with that. That's motherhood.

**Hon. Mr. Bennett:** Justice happens to be an individual property owner, Syd. You see we're on your side.

Mr. Chairman, before we go to the next speaker, I want to interject a couple of things to emphasize some matters we discussed this morning so that the records would show them correctly.

We were asked about where our legal fees and so on were paid. We get into the Pickeridge deal and the Hoilett hearings and so on. May I enter into the records that regarding the Hoilett hearings which are at the moment winding up, we have paid Michael A. Wadsworth \$450,831 in legal fees, John F. Rook \$177,489, and John Collins \$72,894. That was to May 31, 1979, and is a total of \$701,214.

We have at the moment, for June to August, outstanding accounts that are still payable to the Ombudsman of an additional \$50,000, which will take that figure to \$750,000. The Hoilett hearings are estimated to end on November 19, 1979.

The Donnelly royal commission: Ian Scott for the Ombudsman—the complaints that were made to him—\$18,360. John Sopinka, who represented the agents, \$114,596; and Jan Weir, who represented the government negotiators, \$30,806; this all came to \$173,762.

Mr. Armstrong, who was general counsel to the Ministry of Housing through all of the hearings for all aspects of them, was \$98,354. In addition, we had two solicitors from the Attorney General's department who were seconded to our ministry. You can see we are up to something in excess of \$1 million for those outside legal fees regarding the North Pickering hearings. That figure is up until the end of August, so some other accounts will likely come forward between now and the end of the hearings.

I have one further remark I would just like to read into the records for Mr. Newman. Is Mr. Newman coming this afternoon? Do you know, Mr. Epp?

Mr. Epp: No, I don't think so, unless he will be here just to make sure we are here.

Hon. Mr. Bennett: Maybe I will table these remarks, which are answers to some questions, and answers to Mr. Newman's questions.

Mr. Epp: As you know, I was late last week and he was making the presentation on my behalf.

Hon. Mr. Bennett: Right. These are comments in relation to the white paper and the positions Mr. Newman wanted clarified. At the time I was answering them there were points I had omitted, but in the reading of Hansard we picked them up. We will table these remarks. Is that good enough?

Mr. Epp: That would be fine. I'll be glad to take a look at them.

Hon. Mr. Bennett: Another thing, Mr. Davison from Hamilton Mountain—

Mr. Dukszta: No, he's not from Hamilton Mountain.

Hon. Mr. Bennett: What is it? Hamilton East? Hamilton Centre? Whatever it is, he asked that we table this week an agreement between Central Mortgage and Housing Corporation, of the first part, Her Majesty the Queen in right of Ontario, of the second part, and First Place Hamilton, which is a United Church facility in that community. It is an agreement relating to rent supplement programs and the like.

After having consulted with legal counsel and having conferred with First Place Hamilton, we would now like to table with you six copies of that agreement. I think it spells out in detail, the question Mr. Davison wanted answered. Indeed, this agreement is just a carbon copy, a duplicate of all agreements we've entered into with various corporations across the province.

Mr. Epp: What you are saying about those agreements, if I just may get a clarification, is when you make agreements, you have your set agreement and everybody either accepts that or there is no further negotiations in that agreement. You say they are all pretty well—

Hon. Mr. Bennett: Yes, it's a standard agreement they enter into with us. Obviously, Mr. Epp, if we were to allow each person wandering around in the countryside their own idea, you would wonder who was getting shafted in the final analysis.

Mr. Epp: I don't disagree with that. I am just trying to get a clarification on it.

Mr. Dukszta: This is on vote 2203, isn't it, so we should pass the other one—just simply pass it.

Mr. Epp: It was passed a little earlier.

Mr. Dukszta: Sorry, I take it back.

Mr. Chairman: Excuse me, my records show we are still on vote 2202, item 3.

Mr. Hodgson: No, you are on 2203.

Mr. Dukszta: I got to item 3.

Mr. Chairman: Mr. Epp, is that where you are?

Mr. Dukszta: Yes, Mr. Epp is at 2203.

Mr. Epp: Vote 2203 is the one I want to get to.

Mr. Dukszta: So we have to pass the other one.

Hon. Mr. Bennett: Vote 2203?

Mr. Epp: I want to go to 2203.

Hon. Mr. Bennett: You want to go to land development?

Mr. Epp: Yes.

Mr. Chairman: Okay. Under vote 2202, shall items 3, 4, 5, and 6 carry?

Items 3 to 6, inclusive, agreed to.

Vote 2202 agreed to.

On vote 2203, land development program; item 1, program administration:

Mr. Epp: Mr. Chairman, I want to zero right in on the North Pickering community. As the minister knows, there is a background booklet from the Ontario Land Corporation which has to do with Seaton. There have

been a number of representations made to the government with respect to this community.

I have a number of questions. What I would like to do is get some kind of indication from the minister as to how he sees the need for this project. As you are aware, something in the neighbourhood of \$300 million has been spent on this project. A substantial amount of this money has gone to, first of all, purchasing the land and, secondly, to maintaining and preparing it, and I suppose funding the interest on the money you originally borrowed from the banks in order to purchase it and so forth.

There has been a substantial outlay of public funds for this. I would like some kind of clarification from the minister as to how he sees the need for this project at this particular juncture.

[2:30]

**Hon. Mr. Bennett:** I take it you want more of a general overview.

**Mr. Epp:** Right now, yes.

**Hon. Mr. Bennett:** In 1972, around March 3 or 4 if I recall correctly—because I was appointed parliamentary assistant just about February 29—one of the first assignments I had working for Darcy McKeough, then Minister of Intergovernmental Affairs, was in respect of the North Pickering Development Corporation. That came about as a result of the federal government's thinking that, at the time, there was a need for further airport service into the Metropolitan Toronto area.

The province of Ontario, which had enunciated its policy as "go east" of Metropolitan Toronto, felt that in order to build in the community and protect lands against exploitation and poor planning it would do well to acquire large tracts of land at the same time the federal government was buying up fairly substantial tracts of land for the airport. We have roughly 25,200 acres; I think my figures are close. We then tried to get into co-operative deals with the federal government in the various types of development that would take place.

Our principles and policies relating to development east of Toronto have not changed. While our plans have been reduced from what was originally intended to a more workable size—if I can use that expression—the philosophy to move east of Toronto is still, we believe, viable. We are going to make use of the tremendous amounts of money that we have invested in the Ontario Home Assistance Program, which is the infrastructure that has been put in place for the region of Durham, in the water and sewer systems, and we are going to advance.

That is where Mr. McDonald, the Assistant Deputy Minister, land development, is this afternoon. He is reviewing with the regional council of Durham some of the official plan amendments and requirements to accommodate the type of development we are looking at in the 6,800-odd acres out of the 25,000 that we own. We feel that for the moment there appears to be sufficient lands for the immediate future for residential use in Scarborough and a couple of the other communities, but when we look beyond 1982 there could very well be further demands in that part of the Metropolitan area, or beyond the Metropolitan area, for land development.

With the lands that we have set aside, in the proposed amendments to the official plan, for industrial and commercial use, we think there will be opportunities for plant expansion and new industries to move into that area. That will necessitate further residential development. If we believe in the philosophy that people should be living closer to their place of employment, it not only makes good common sense but in the light of the energy costs and shortages it's a factor we will have to look at even more specifically in the next number of years.

We continue to move in that direction. One of the things we don't brag about often enough in relation to that land, is while, yes it is under government control, there is a greater number of acres under profitable agricultural and food production today than there was prior to our purchasing. There was a fair amount of land in that area that, for one reason or another, was not being cultivated. I am not going to try to offer the reasons why—maybe they were economical or maybe because people were lured away to the great Metropolitan Toronto area for jobs and so on, I don't know. But of the lands that are there today, under government ownership, there are more acres under agricultural production than ever before.

On lands that will be surplus to our needs and which are not within the agricultural category—some of these will be turned over to the Ministry of Transportation and Communications for road networks that will come across east to west in the Metro area. Some further lands will be turned over—and when I use the words "turned over" I am not trying to imply that they will be without cost to these organizations; obviously costs will be accounted for, at least from a transfer point of view. For an example, the conservation authorities have already indicated some lands, in the valleys and various other places they feel should be put under conservation control. Indeed, there will be some

lands that will move into use by municipalities. Some municipalities have indicated they think they should acquire some lands from the government for purposes of their own.

The overall planning has proceeded down the road, not as quickly as originally anticipated in 1972, obviously because of the change of economics, change of federal government planning. I don't know if I can add a great deal, Herb, or whether that gives you the overview you were looking for.

**Mr. Epp:** Mr. Minister, you alluded earlier to the hearing this afternoon in Durham, and as you probably know one of your former Conservative cabinet ministers, Mr. Macaulay, will be there to voice a considerable amount of opposition to the project. Someone has suggested it is economic suicide on behalf of the government to continue to promote this particular project.

For instance, if you are going to be speaking about industry, right now the city of Whitby has 691 acres of industrial land for sale and it is moving very slowly. Oshawa has 568 acres, Ajax has 327 acres, Pickering has 223 acres, and there are a number of other smaller communities that have industrial land available. At the same time, the provincial government is continuing to use class one agricultural land for this development, agricultural land which you may not feel is important, but which we certainly feel is very important and should be farmed.

I very much disagree with the provincial government continuing to develop this project when a lot of local people are opposed to it.

**Hon. Mr. Bennett:** Yes, but you will also admit there are a fair number, I understand from reading the press of recent days, who are also in support of it.

**Mr. Epp:** Who?

**Hon. Mr. Bennett:** The farm community, for example. Just yesterday I read—

**Mr. Epp:** The farm community wants this to be used for industrial and residential land?

**Hon. Mr. Bennett:** If I understand correctly in reading the newsletters that come to me, and various others—

**Mr. Epp:** The Ontario Federation of Agriculture, for instance?

**Hon. Mr. Bennett:** I didn't say the Ontario Federation of Agriculture, pardon me.

**Mr. Epp:** Farm community. I mean, what do you interpret as being the farm community?

**Hon. Mr. Bennett:** I don't have the clipping, but it was in the Durham section

of the Toronto Star. There was an article just yesterday or the day before which indicated clearly that the farm community will be at the hearings this afternoon to support the government in its program. You talk about Bob Macaulay; Bob Macaulay is a lawyer. Should I say any more?

**Mr. Epp:** Yes, go ahead.

**Hon. Mr. Bennett:** Well, he is a lawyer, he can take either side as long as there is a fee involved.

**Mr. Epp:** No, give Mr. Macaulay greater credit than that, Mr. Minister. He probably feels very strongly about it. I am coming to the defence of a former Conservative cabinet minister—but I don't think Mr. Macaulay would champion a cause unless he agreed with it. So if you are suggesting he is a champion of the cause for the sake of getting a dollar out of it, I disagree. I think he has taken the case because he agrees with the principles and policies of his clients.

**Hon. Mr. Bennett:** I would say, without throwing any aspersions on Mr. Macaulay or any others, that in the profession that you speak of lawyers take sides, obviously one on each side. I do not question what their personal views are, but I do say that's what their profession happens to be, without getting involved with Mr. Macaulay or any other lawyer who might be there this afternoon. He'll make his case on behalf of—I don't know whom he represents; I honestly don't; whether it's other developers who have land in the adjoining communities, such as just beyond Oshawa, and so on. I know there are other developers out there who would prefer to see the government stop this program completely to enable them to bring their lands on stream. They have certain interests and I appreciate and respect those interests, but we have a fairly large tract of land at a fair price to the taxpayers of Ontario, which was designed and developed for an integrated community, and while I realize there is industrial land in Whitby and in a number of other communities, the fact is there are going to be certain pressures from people wanting to move into this general region of the province.

**Mr. Epp:** There may be some pressure, but it is suggested, Mr. Minister, that the development certainly isn't right—it may have been right back in 1972.

**Hon. Mr. Bennett:** I beg your pardon?

**Mr. Epp:** It may have been right in 1972, I am not sure. It may be right in 2001, but I respectfully submit to you that it is not right today. Why don't you just admit that

the government is promoting the wrong policy and try to correct it, rather than proceed to push something that generally is not acceptable to the majority of Ontarians?

**Mr. Dukszta:** And spending unnecessarily?

**Hon. Mr. Bennett:** Investing. There is a difference between spending and investing.

Interjection.

**Hon. Mr. Bennett:** This is a development in a community to produce some economic viability in that part east of Toronto.

**Mr. R. F. Johnston:** Put it into Oshawa, put it into Whitby.

**Hon. Mr. Bennett:** I can only add that the fact remains, Mr. Epp, while I am no great expert on all the land classifications in the area that we are building in, I believe from reading the article yesterday and then reading some of the materials that have been prepared over the last number of years, a good deal of the lands we are specifically using at this time—and I won't be all-inclusive of the 6,800-odd acres—is not what we call class 1 or class A land.

**Mr. Dukszta:** Excuse me, most of it is.

**Mr. Epp:** I understand that most of the land, from my reading and my understanding, is class 1 agricultural land.

**Mr. Dukszta:** Of course it is. The minister doesn't know that.

**Mr. Epp:** There is some land there that is part of a gravel pit, which they don't mind being developed into a small community, but the residents there do not want to see 90,000 people. And the other thing is, that despite the fact you are suggesting there is going to be a balanced community—and I suppose you are suggesting that because you were just saying a few minutes ago that you don't want people to drive too far to their work—there is no evidence to show industry is rushing in or even walking in, in order to settle in that community. What you may very well have is a bedroom community to Toronto and you are not going to have the balanced community that you are proposing because you are not getting the industry.

**Hon. Mr. Bennett:** Mr. Epp, there is only one answer to that. I have never known industry to flood in ahead of government, or any other organization, to start their development. Once they see something positive taking place their interest starts to escalate considerably.

When I was the Minister of Industry and Tourism that was a very obvious situation in a lot of places. Until they could see certain things were happening they were not about

to try to be the catalysts of the development. Very seldom are they ever in that position. They want to make sure that the pieces are in place so that when they come in the machine is operating.

You can talk about the Oshawa market. There are certain industries that would move into the Oshawa market because of its relationship to General Motors, to the automobile industry in that area. Not everyone wants to be in that market because of labour costs that are predetermined as a result of some of the automotive agreements. In the field of industry locating they take into consideration a number of things—the availability of work force, the availability of female labour force, the cost factors involved, the land cost—which is not the principal subject, even though some people would have you believe it is. There are a number of things.

But one of the things they really are concerned about before they start locating is competition for the labour force and the cost of that competition as it has been predetermined by previous industries located there.

**Mr. Dukszta:** Permit me a point of information. The minister said that most of it was not class 1 land, but in the letter from the Minister of Housing dated December 13, 1976, it states—and presumably it hasn't changed extensively—that 1,300 acres were leased for residential purposes and over 16,000 acres were leased for farm purposes, so I assume you could say most of the land was used for farm purposes, agricultural land, class 1 land.

**Mr. Watson:** No, there are seven classes of land.

**Mr. Dukszta:** My information is that it is mostly class 1, the best, so the minister maybe should look through his own figures.

**Mr. R. F. Johnston:** Everyone in that area knows that.

**Mr. Watson:** I could argue on that point too.

**Mr. Dukszta:** I am not arguing about your definition, I am saying it's how it is considered generally for the purposes of the Ministry of Housing or for everyone else. I am sorry, we can get into an argument, I agree, but I just wanted to point out that the minister accused me of saying that I didn't know what I was saying. I was quoting from his own ministry.

**Hon. Mr. Bennett:** I didn't accuse you of anything.

**Mr. Dukszta:** Well, then, don't next time. Just accept the fact that you were wrong on that point.

**Hon. Mr. Bennett:** I didn't accuse you of a thing.

**Mr. Dukszta:** I was just trying to add to the point Mr. Epp was making, which is a good argument.

**Hon. Mr. Bennett:** Mr. Grant will go into it.

**Mr. Epp:** Thank you very much.

**Hon. Mr. Bennett:** Mr. Grant is going to, if he might be allowed to, respond to the member.

[2:45]

**Mr. Grant:** Just a couple of comments in terms of the agricultural lands on the 25,200-acre site. The predominantly class A or class 1 agricultural land is on the western and central part of the site.

The eastern part of the site, where it is proposed the new community be built, does have some class 1 land at the top end, but down through the majority of that site the lands are not class 1 agricultural. They are something less and they deteriorate into gravel pits.

**Mr. R. F. Johnston:** How much is class 2?

**Mr. Dukszta:** How much is class 1 and how much is class 2?

**Mr. Grant:** I can't tell you off the top, but one of the selection criteria on the site was the agricultural capability. Therefore the land with the least agricultural capability was chosen for the new community site.

**Mr. Dukszta:** You said that one part of it is significantly agricultural, but you don't have exact figures to tell me, to contradict what your ministry already has said.

**Mr. Grant:** Not in front of me, but that 16,000 acres referred to means the part predominantly on the western part of the 25,000 acres, which is not planned for development.

**Mr. R. F. Johnston:** Immediately.

**Mr. Grant:** Immediately.

**Mr. Dukszta:** It's part of the proposal, so it still would be a major usage of agricultural land in the future, but you're not providing me with anything which contradicts what I've just said.

**Mr. Epp:** Mr. Minister, I wonder whether you can give me some indication of the expenditure of public funds to date on that development.

**Hon. Mr. Bennett:** You're referring to what, just land acquisition?

**Mr. Epp:** Land acquisition and maintenance costs, interest costs and so forth to date.

**Mr. Grant:** The land acquisition cost to date is around \$300 million. At March 31, 1979, the land acquisition and carrying costs for North Pickering were \$267,625,000. The planning costs to date, since 1972, are running about \$1.5 million.

**Mr. Epp:** What you're saying is that the cost to date was \$267 million?

**Mr. Grant:** That was for the land assembly.

**Mr. Epp:** Is that the expenditure of the money for land assembly, or is that also the carrying costs?

**Mr. Grant:** That includes carrying costs.

**Mr. Epp:** The total other expenditure which put you under planning is \$1.5 million, or is there any other cost that you would include in that?

**Mr. Grant:** The property-management costs just about look after themselves in terms of the rental revenue.

**Mr. Epp:** So you would guesstimate that the total cost to date would be somewhere around \$268.5 million to \$270 million?

**Mr. Grant:** Yes, a little bit more than that because since this figure there are some—

**Mr. Epp:** I'm not quarrelling with a million dollars or two.

**Mr. Grant:** Somewhere around there, but there has been some further acquisition this year and some settlements of compensation. Subject to that, yes, somewhere around there.

**Mr. Epp:** Mr. Minister, how would you respond to the comment that Seaton is basically a residential development which has been dressed up to look like a balanced community; that it appears like a residential development, but in actual fact some of the residential developers in the area have been denied permission to develop until they have a corresponding amount, or until they are able to get some industrial development in that area, in order to go residential?

You were indicating earlier that what you need, in order to get the commercial and industrial uses attracted, is to have the residential go first. There are some people who would suggest that what the ministry is using is a little strong-arm tactic in order to get the industrial/commercial commitment, in order to also have the residential permission.

**Hon. Mr. Bennett:** Regarding the latter point, I suppose when we go out aggressively looking for industries to establish themselves in the community of Seaton it will always be perceived as the government using an arm-

twisting tactic because of its clout and one thing and another. We do it the same as any municipality would. We've been working with the Minister of Industry and Tourism (Mr. Grossman) in making known the availability of lands for industrial purposes and so on.

The other point you speak about—where private developers have been refused rights, I think you said. That is an argument that I guess will go on for some time between certain communities in the Durham region and the Durham regional government itself, where they would like to say that if you do a certain amount of residential development you must guarantee X number of square feet of office space or industrial space, which is not altogether a complete reality.

You can build industrial space and you can build office space. You don't have a tenant, for one reason or another. What you can do is drive the cost of housing completely out of all proportion because you can be sure that the private sector—as any other sector is going to do—is not going to take those costs and just let them sit idly for many years to come. They're going to put it back on whenever they think there is the greatest opportunity of recovery.

We've had some discussions with the region of Durham in relation to this type of requirement. I don't know whether we'll resolve it all with them, or not. Whoever made the comment of Seaton being a dressed-up community—that, I guess, is an expression or a view of their own intention. I can't say anything more than I've said now.

It's our view and our planning to have a balanced community.

**Mr. Epp:** Do I read you correctly then that you intend to continue with this project in full force, to continue to expend millions of dollars of public money without abatement, in order to try to justify an investment which was started in 1972 and which many knowledgeable people in the field would suggest is economic suicide?

**Hon. Mr. Bennett:** I'm not going to comment on the last part, because I have people who think that some of the private sector's developments in certain parts of this province, particularly out there, may be economic suicide for them as well.

**Mr. Dukszta:** But you're responsible for Seaton.

**Hon. Mr. Bennett:** I'm only making a general comment.

**Mr. Dukszta:** Don't.

**Hon. Mr. Bennett:** I said that's my view and there are some that would express that about the private sector.

**Mr. Dukszta:** Mr. Epp is asking you a direct question.

**Hon. Mr. Bennett:** That's fine and I'll answer it.

**Mr. Dukszta:** Good.

**Hon. Mr. Bennett:** The fact is that as far as we're concerned, yes, our projection is to continue with the building of Seaton. Mr. McDonald and some of our people in the land corporation wing are out there this afternoon in relation to the official plan amendments required in bringing it on stream.

I say again, I can only emphasize that it's a considerably reduced program or project than what we had originally intended in 1972.

**Mr. Epp:** To what extent are you suggesting that it's reduced?

**Hon. Mr. Bennett:** Well, go back to 1972. Our original projections were a community upwards of—I forget the exact figure but I think it was well in excess of 200,000. We're down to about a third of that today in ultimate projections for a community. Just so we keep the time elements somewhat on stream. I doubt if we'll see housing and other construction in that community before 1982 or 1983.

There are certain complications that have to be overcome: not only the planning and the zoning bylaws, but we still have to get the design of subdivisions and environmental requirements and so on in place. I don't see Pickering being a blooming flower until 1982 or 1983.

We are realists. There are a number of people who predict by that time we'll see some change in economic conditions that prevail in Ontario and Canada.

**Mr. Epp:** A number of people have suggested there is really no meaningful public participation in the discussions. They feel that since this is government policy, even if it goes to the Ontario Municipal Board it would be similar to Mr. McKeough's letter some years ago where he suggested to the Ontario Municipal Board that since it was government policy there was really no appeal to it. The Ontario Municipal Board was obligated to enforce government policy and therefore they had to more or less rubber stamp what the government wished. How would you respond to that?

**Hon. Mr. Bennett:** Mr. Chairman, we will go to the Ontario Municipal Board if that is necessary. I suppose, Mr. Epp, that really would depend on what happens in the votes that take place in Durham region. If there is a need for going to the Ontario Municipal Board because of appeals that are made,

either from our side or from the opponents', then we will present our case and we are open to the full view of the Ontario Municipal Board.

There is a plan being proposed within the Ministry of Housing. As I have said in relationship to the boundary down in the Niagara Peninsula, we certainly haven't sent those to the Ontario Municipal Board for review, to create a sham of the municipal board saying, "Hear it, but this is the position of government." Obviously we want public participation. There has been a fair amount of public participation in North Pickering over the last number of months, not only with our ministry but with the government people from the local region and the local municipalities, and I think if we have to go to the Ontario Municipal Board it is wide open for discussion the same as any other appeal or hearing before that board.

**Mr. Epp:** What you are saying then, Mr. Minister, is that the direction to the Ontario Municipal Board which Mr. McKeough gave is not—

**Hon. Mr. Bennett:** Which one are you referring to, if I could be so—

**Mr. Epp:** The one which pertains to Barrie. I suppose that no longer is what they used to call during the Watergate hearings operative. Now a new policy is operative the Ontario Municipal Board is not obligated to enforce government policy. In other words, what you are saying is that the Ontario Municipal Board can be completely objective in assessing this situation and does not have to take into consideration government policy, when it makes a determination as to whether this particular project is based on good planning principles.

I am not trying to put words into your mouth but I suppose really what you are saying is that this is based on good planning principles. The Ontario Municipal Board can be completely objective to it. They do not have to adhere to government policy in assessing whether this project should or should not go ahead and therefore you would also, by implication, negate what Mr. McKeough said earlier, that the Ontario Municipal Board is obligated to enforce government policy.

**Hon. Mr. Bennett:** Just as long as we recognize that the McKeough situation is now before the Supreme Court. We will eventually have some ruling on that particular issue. There have been differences of opinion as to whether or not that was government policy or how it should have been enforced or looked upon.

Let's set that one aside, because if you use that as the guiding light you'd throw a lot of cases around this province into complete confusion, including the municipal boundaries in the St. Catharines, Niagara Falls, Welland, Thorold area. So put that aside for the moment, because I am not being guided by what the decision will be at this point. I wait to hear what their decision is.

Frankly, this program or process we are going through is no different than if the XYZ Development Corporation approached the region of Durham and put before them a plan of development on a large tract of land. It is then up to the regional municipality to accept, reject, modify, or do whatever they think is necessary and to proceed from there. That is exactly the same position that the Ontario Land Corporation, through the Minister of Housing, is working in at this time.

If we go before the municipal board I would hope, and I say this very sincerely, that it is wide open for the OMB to rule as they, as an independent board, see fit. Then we could be in somewhat of a complicated position, if you look at the process of appeals to cabinet. But that's something we can deal with at that time.

**Mr. Epp:** Would you agree that this decision should not go to the Ontario Municipal Board until the Supreme Court has a chance to decide on the validity of Mr. McKeough's suggestion earlier, in order that there be no misunderstanding with respect to that decision as it may apply here? You were suggesting that it may have a bearing in some cases on Ontario and therefore the proper thing to do would be to not proceed to the Ontario Municipal Board until that other precedent-setting decision had been determined, or had been made.

[3:00]

**Hon. Mr. Bennett:** First of all, I have no idea what the time span will be, going through the official plan, bylaws, and whatever else has to be accommodated, to allow for the Seaton community to come into reality as far as a planning project is concerned.

**Mr. Epp:** With respect, Mr. Minister, you could ask or suggest to the Supreme Court that there is some urgency in order to get that determination made because it may have a bearing on other major decisions in the province.

**Hon. Mr. Bennett:** I am not so naive as to believe there are not others who have already asked the Supreme Court to make a

decision or ruling on that as quickly as possible, because of its impediment regarding development and other things going on in the very area very specific to the case.

I have no idea what the time frames are going to be. It could be months if we go before the OMB and I suppose it is realistic to think we will go before an OMB hearing. I have taken the attitude, as a minister, that it is wide open to an OMB hearing, regardless of what happens on the Barrie case. It's a great opportunity for municipalities, regions, private citizens, developers, other landowners and whatever else they classify themselves as, whether they be environmental groups, preservation of agricultural land people or any other group who might want to have some say before a public body such as the OMB to express those views. Let the municipal board then bring its ruling down regarding the proposal before them, whatever it might be at that time.

I think that's the opportunity for the whole thing to be aired, for expressions of opinion for and against—and I suppose there'll be some that will be in between—to be heard. An independent body like the OMB with some very qualified officers to review the case, examine it and eventually report what they think is the appropriate route to be going.

**Mr. Epp:** Mr. Minister, in the long run I think the OMB should have the hearing; they should have the benefit of the Supreme Court decision.

**Hon. Mr. Bennett:** Why?

**Mr. Epp:** Because it may have a bearing on it.

**Hon. Mr. Bennett:** Perhaps I could be the questioner for a moment. What bearing do you think it would have on it, since the minister of the day said that it's wide open for review? These are proposals that the government and the Ministry of Housing have put forward for the community of Seaton. I would hope that no government, regardless of whom they happened to represent, would always take the attitude that what they propose is the only thing that can happen and there is no opportunity for some very firm expression of opinion once detailed plans are formulated.

You know, we have been dealing with a kind of a mysterious community because the planning and so on, what was really proposed, the location and all the other things that relate thereto, have never really been spelled out until they tabled that report and a few others with the Durham region today. People can now have a positive aspect and

position on what's happening, maybe present some modifications on what is proposed.

I take the attitude, and I think we discussed this the other day, that what this government, your party, or the NDP say is not always the be-all and end-all of the situation; that there are people, outside and away from politicians and the people who serve this province effectively and efficiently, who do have some views and ideas that could very well develop a better community for that region and for the community of Seaton in the future.

So I have left it wide open. Take it to the OMB; let's see what they have to say; let's see what some of the input has been, over and above all the discussions that have taken place in that area with a vast number of people since mid-1972.

**Mr. Epp:** Mr. Minister, you suggested earlier that this was before the Durham council today; that Mr. McDonald was there.

**Hon. Mr. Bennett:** Mr. McDonald is there.

**Mr. Epp:** Is there. And I also said that as far as I knew Mr. Macaulay was going to be there making a representation.

**Hon. Mr. Bennett:** Who is he representing, do you know?

**Mr. Epp:** I think he is representing some ratepayers there, but I am not sure which group.

Is the Durham council going to be able to make the decision whether you people proceed with this project? Exactly how do you delineate their position?

**Hon. Mr. Bennett:** First of all, I suppose it is not the OMB which will be concerned. There again, I am not in a position to answer all of the questions, because we are dealing with a hypothetical situation. I don't know what Mr. Macaulay is going to present today, nor others who may be supportive or, on the other hand, not supportive, of the government policy, so I have no idea what will be discussed. But let's say the regional council agrees to an amendment to the official plan and whatever zoning requirements to accommodate what is being proposed by the Ontario Land Corporation. What would be appealed is whether that is the proper zoning and so on, and whether those amendments to the official plan and the zoning should be allowed.

I am not sure that the problem you are getting at, Herb, is whether they will say, yes, this should go or should not go. I think it will be mainly on the planning issues, which have been their responsibility. You are confusing what was up in Barrie, which was

an annexation policy, and a growth development.

**Mr. Epp:** No, I am not, Mr. Minister, with all due respect. I guess what I am trying to—

**Hon. Mr. Bennett:** That's what it relates to.

**Mr. Epp:** Yes. What I am trying to get from you is that the regional council will be responsible for some planning decisions.

**Hon. Mr. Bennett:** Yes.

**Mr. Epp:** If they decide to go ahead and make the changes you would like to see made, let's say, after consultation, I am not trying to imply that there would be anything wrong with that consultation, okay? Then they would make the application. It would go to the Ontario Municipal Board if there are any objections and there probably will be some objections, otherwise it would probably be rubber stamped by your ministry—and I am not trying to imply that there is something wrong with that—and that would be it.

Assuming that there were some objections, it would then go to the Ontario Municipal Board. They would then make the representation before the Ontario Municipal Board, probably in conjunction with the province. Then if the OMB made a decision in favour of that development, it would be a fait accompli; it would go ahead.

**Hon. Mr. Bennett:** It might, but you might—

**Mr. Epp:** Or it could be appealed to the cabinet.

**Hon. Mr. Bennett:** That's right.

**Mr. Epp:** But it's unlikely that the cabinet then would negate what the Ministry of Housing in conjunction with other ministries has requested.

**Hon. Mr. Bennett:** If I might interject.

**Mr. Epp:** Yes.

**Hon. Mr. Bennett:** It also allows cabinet at that time to say, "Some of the things that have been recommended or suggested by the OMB might very well be incorporated into the plan. We'd suggest that they try to accommodate them and give some direction." We don't always accept every OMB decision, as you know. We have modified some of the things people have requested and maybe very profitably—and I don't mean that in dollars and cents but in the physical aspect.

**Mr. Epp:** While we are on that point maybe you can clarify something, because what you are saying is against what I thought the cabinet's position was. I thought the cabinet had two or three alternatives. The cabinet could either approve what's been re-

quested, ask the OMB to have another hearing, or turn it down. Well, actually, there are only two basic decisions.

**Hon. Mr. Bennett:** Except to have it modified. Or have a rehearing.

**Mr. Epp:** I didn't know that you modified certain proposals.

**Hon. Mr. Bennett:** Surely we have.

**Mr. Epp:** Okay, I wasn't familiar with that.

**Hon. Mr. Bennett:** The last court of appeal should always have the right to make certain adjustments in a decision. And I suppose cabinet has to be the last court of appeal, by any standards, in this province.

**Mr. Epp:** Yes, I agree with that fully.

Okay, one other question. It has been suggested that the government is putting additional money into Durham region, incentives, if you will, in order to—through grants, other kinds of incentives, maybe for sewer projects or something—make this particular project somewhat viable, so as to have a favourable response from Durham and have this go ahead. How would you respond to that?

**Hon. Mr. Bennett:** You say we'd put extra money into it? No, we responded to Durham some time ago when the Ontario Home Assistance Program came into being. That was for expediting the infrastructure for servicing lands in advance of need, which is what a number of municipalities around the province took advantage of. The region of Durham was aware of the fact, not only of our landholding being the Ontario Land Corporation but, indeed, of the number of other developers that went east of Toronto at the time it became knowledge that the province of Ontario was acquiring lands and the federal government was acquiring lands for an airport development. There were a tremendous number in the private sector who immediately went out into that region and also bought up large tracts of land indicating their intention to open up new developments or communities. I shouldn't say new communities, but large subdivisions.

The region of Durham applied for OHAP to bring water up from the lake, for the filtration plant and so on, as well as to serve a number of other communities along the way. I would have to think it was with some degree of anticipation of not only of what the demands might be by ourselves, being the OLC, but the private sector and at that time they were still looking at whether there may or may not be an airport, which would have required some servicing factors as well.

I suppose that was the only place where you could say we have given extra consideration to Durham, but it's no different from having given the same consideration to a number of other communities who are on OHAP, inasmuch as when they came to us and said—as I mentioned earlier today with Mr. Handleman's question — "Look, we haven't had the expansion and the development and we haven't the number of people we originally anticipated to be resident here, or industries, or whatever else it might be and, as a result, we're going to need a further deferment of time before we start the repayment." If you call that a special grant to Durham you would also have to analyse it as being a special grant to a number of other communities in the province that also found themselves confronted with a similar difficulty.

But, specifically, no, we have not given Durham any extra money. We did give them the consideration predicated on our development, the private sector development and the potential of an airport development. That was not to be interpreted as our predetermining the airport was going to be there. We only had to use some degree of understanding since it was uncertain that it might be there. If it happened to be there, there was going to have to be a water and sewer situation accommodated.

**Mr. Epp:** Can I go back a minute, Mr. Minister, with a question? With respect to the Ontario Municipal Board and a decision by the Durham council, we were assuming earlier that Durham would make a favourable decision, that we were then progressing to the Ontario Municipal Board and so forth. What happens if Durham makes a negative decision and says they don't want to go ahead with this? What would be the province's position in that eventuality? Would they appeal that decision and go to the Ontario Municipal Board themselves? What would they do?

**Hon. Mr. Bennett:** I would review the situation and see what some of the arguments were by Durham on not going any further, because there has been a great deal of consultation with Durham at this point. I suppose if we were in fear of the thing not going any further we would have tried to discover why before today's meeting.

Am I overconfident we're going to get approval in Durham? I really don't know. There seems to be a favourable attitude out there and I can only wait and see what the response to the presentation happens to be.

**Mr. Chairman:** Mr. Epp, I wonder if I could interject? I was under the impression,

because you said so yourself that this was your last question two or three questions ago—

**Mr. Epp:** Did I say that?

**Mr. Chairman:** You did, actually. I want to get some guidance, not only from you but also from the other members of the committee because, perhaps unbeknown to everybody, there are five people on the list who do wish to speak. I'm going to have to ask a couple of questions here.

Did you, Mr. McGuigan, wish to speak to vote 2203?

**Mr. McGuigan:** My question is rather general in the matter of taking of farm lands, but since Mr. Epp is dealing with that I thought I could follow it up.

**Mr. Chairman:** We may not have a problem here after all, but I know there are three on the list, Mr. Johnston and Mr. Philip who, I understand, will be coming back, and Mr. di Santo who, I think, is coming back, did wish to speak about Ontario Housing. That leaves Dr. Dukszta who wished to speak on this particular item. Mr. Johnston has a bit of a time problem, and he has been on the list, actually, since two o'clock. Can we accomplish a couple of things at once here?

**Mr. Epp:** I think I'm almost finished.

**Mr. Chairman:** Mr. Johnston has to leave, though. Could you give him his time now? Granted it will be on Ontario Housing, but then we'll come back to this. Is that agreeable?

[3:15]

**Mr. Epp:** Yes. I do want to say, however, that I haven't used up a lot of time during the—

**Mr. Chairman:** Is it an important line of questioning? I just wanted everybody in the committee to be aware of the list.

**Mr. Epp:** The time our party has used has been not very great, simply because we made our presentation the other day. We didn't have much time in the first five hours and this morning we didn't have very much time, so that—

**Mr. Chairman:** No problem. I've got a feeling here from the committee it's prepared to give Mr. Johnston the five or so minutes that he requires on Ontario Housing now.

**Mr. Epp:** Yes, that's fine.

**Mr. Chairman:** Agreed?

**Mr. Dukszta:** We recognize Mr. Epp. Mr. McGuigan can then go next for as long as he needs to, because I recognize that they have not had enough.

**Mr. Epp:** That's fine.

**Mr. Chairman:** Mr. Johnston.

**Mr. R. F. Johnston:** I apologize for butting in but I have a speaking engagement in about 10 minutes.

**Mr. Epp:** No, I agree.

**Mr. R. F. Johnston:** I'm sorry.

**Mr. Epp:** That's fine.

**Mr. R. F. Johnston:** Okay. I did want to raise a question with the minister on Ontario Housing. As you know some correspondence has passed a number of times over the summer and one particular case was to do with reduction of community relations workers in my area in the Ontario Housing sector. This concerned me, being a suburban politician who recognizes that in many ways the suburbs are underserved in terms of social services and in that way lose an ability to detect problems as they arise.

I have had a very good working relationship over a number of years, both prior to being elected and since, with community relations workers in my area. I have found them to be very important in terms of defusing situations before they occurred, identifying problems, passing them on to other social service agencies and that sort of thing. I don't want to belabour the issue as to whether or not cutting back in that area is going to become policy, but I do want to raise with you a case which is of grave concern to me that was brought to my attention on Tuesday. I think it revolves around this business of the role of the community relations officer and the effect of an officer.

**Hon. Mr. Bennett:** What's that?

**Mr. R. F. Johnston:** The effect of a community relations officer. This problem has now come to the point of being an eviction. I think if the community relations officer had been listened to, and action had been taken earlier, I wouldn't be pleading with you now to intervene, which is essentially what I am doing.

It is a case of a Mrs. Jean Johnston, on 40 Teasdale; I have left some notes up there for you in case I skip over things in my rush at the moment.

Mrs. Johnston has accumulated debts with Ontario Housing of about \$790 at this stage. She is a single parent working for \$130 a week—minimum wage obviously—and supports one child. This debt problem is a serious difficulty and it is understood to be, but prior to any action being taken in terms of an eviction notice she was advised by her community relations worker to go to Credit

Counselling Service of Metropolitan Toronto and she did so.

Credit Counselling then approached all the various creditors, including Ontario Housing, and indicated what the debt repayment plan was that this woman was undertaking. That was on September 5, as I recall. On September 1, Ontario Housing undertook eviction proceedings against Mrs. Johnston. On September 19 the Credit Counselling people learned of this eviction notice, and in speaking with Mr. Byerley, I believe from your legal department, advised that there was this repayment program on and would wish to be—let's see if I can get this down—we asked the representative of Ontario Housing Corporation to call us before any further action was taken and referred to our notice of the debt repayment plan we had set up.

Last Thursday, Mrs. Johnston received notice that she would be evicted. When she called me she thought she was to be evicted on Tuesday and called me on Tuesday morning. I found out that it is actually tomorrow when she is to be evicted.

It seemed to me that because of the process that this had taken—and in point of fact prior to the first eviction action being taken she had gone to Credit Counselling on the advice of the community relations worker, obviously thinking that this would be the kind of thing which would allow her to stay.

The Credit Counselling people are very, very supportive of her and very impressed with her desire and willingness to pay back her debts and feel that her budgeting problems are not severe. They are willing to amend those rates of repayment from about an extra \$20 a month at the moment over her regular rent payments to up to about \$30 a month. They are willing to talk other creditors out of some of the money owing to them, in order to pay back more to Ontario Housing.

As somebody who deals a lot with Ontario Housing, I am just concerned that this might be something I am going to see again if a community relations worker cannot take positive action and cannot, by taking such action, guarantee that with the support of an agency like Credit Counselling eviction isn't going to be followed up. As far as I know, there are no other circumstances. There is no violence. There is no damage to property. She seems to have been a good tenant through all this period. I am wondering what the value of that worker is.

**Hon. Mr. Bennett:** Just so we keep it within the parameters of the responsibility of a social counsellor or counsellor in the project,

their job is to try and make people aware of the facilities that are available, not only in that community, but across the Metropolitan Toronto area, to assist them with whatever dilemmas they seem to confront.

**Mr. R. F. Johnston:** Which he did.

**Hon. Mr. Bennett:** Yes. That is really their responsibility. I am not sure whether you think they should be going even further, but you know we've got to be just a little careful when they start going further that they don't get so personally involved that they become blinded by each case.

**Mr. R. F. Johnston:** No, I'm confused about the lack of integration here.

**Hon. Mr. Bennett:** What do you mean by lack of integration?

**Mr. R. F. Johnston:** This woman was advised by the community relations worker to follow this tack and thought this would be a way of her solving her problem in terms of her rent arrears.

**Hon. Mr. Bennett:** Yes.

**Mr. R. F. Johnston:** The Credit Counselling people notified Ontario Housing that the repayment plan had been developed and yet two days thereafter eviction was undertaken.

I am worried about what is happening. You've got a community relations worker at one end who is advising somebody in this direction and all of a sudden you've got your legal people proceeding with eviction, even after they have talked to Credit Counselling people. I am quite concerned about that.

**Hon. Mr. Bennett:** Let me put it this way, Mr. Johnston. You handed me this note this afternoon. There are only 93,000 units in the OHC development across the province.

**Mr. R. F. Johnston:** That's right.

**Hon. Mr. Bennett:** I surely don't have each one under my thumb and I don't expect I ever will, thank goodness for that, because I won't be a minister, I won't be a politician, I'll be a professional consultant.

**Mr. R. F. Johnston:** Right.

**Hon. Mr. Bennett:** Frankly there are policies and programs and we try to be flexible. While you present Mrs. Johnston's case, I don't know all of the facts behind it, obviously. I do know this much. Having worked with Ontario Housing, which is the greatest animal to kick hell out of, because they are easy to kick at and because they do have most of the difficult cases that exist socially in our communities, the fact remains that OHC is not such a wild animal that it doesn't try to find some degree of compassion and understanding and keep people advised of

arrears when the arrears continue to mount. In this case, the lady's arrears are \$790.

**Mr. R. F. Johnston:** That's right.

**Hon. Mr. Bennett:** So it means she missed more than one month's payment.

**Mr. R. F. Johnston:** Obviously, yes. Nobody's arguing with that, for goodness sake.

**Hon. Mr. Bennett:** Just a moment please.

**Mr. R. F. Johnston:** I haven't called Ontario Housing animals, either. I have in fact complimented your community relations officer.

**Hon. Mr. Bennett:** I didn't say you did.

**Mr. R. F. Johnston:** I am asking you why there isn't integration in what you are doing.

**Hon. Mr. Bennett:** Because the counsellor is there and informs Mrs. Johnston or anybody else where to go to get certain services doesn't mean to say that because they take that attitude all things within the policies of the OHC are going to cease to operate.

**Mr. R. F. Johnston:** No, but—

**Hon. Mr. Bennett:** Frankly, Mr. Chairman, I'll take this as notice. There is no way I intend to offer any explanation or any indication of what my view might be until I have the rest of the background of this case. There is no way.

**Mr. R. F. Johnston:** Fine. All I am asking you is that if there is a credit counsellor involved—as there has been—and he makes a recommendation that repayment is possible, if they show support of that individual—and the community relations worker has—and then I phone up and I am told that there is no way they are going to change their mind, as I was told by your local manager, then I think there are some problems in Ontario Housing at the moment. I am saying that if—

**Hon. Mr. Bennett:** Let me ask, Mr. Johnston, why do you think it is all Ontario Housing's fault? Do you not think there is some responsibility in the tenant who has got behind by \$790?

**Mr. R. F. Johnston:** I am not denying she is in debt, but you aren't living on \$132 a week either, sir, with one child. She has problems, she admits she has problems, and has gone for help. She has been asked to go for help. The least you can have is some mercy in your darned ministry.

**Hon. Mr. Bennett:** Oh, now just a moment about mercy in the ministry. That is what Ontario Housing is all about, trying to help the less fortunate and I think we have done a pretty fair job across it all.

**Mr. R. F. Johnston:** Let's see that with some action on this.

**Hon. Mr. Bennett:** Yes, but this is only one of 93,000 cases and if you let one go by, which you are suggesting to me, you should let everybody go into arrears in their rent.

**Mr. R. F. Johnston:** No, I am not. I am saying that the case is obviously—

**Hon. Mr. Bennett:** I tell you that in owing \$790 she was given notice on more than one occasion, I am sure, that her rent was in arrears and eviction was the thing that would follow. But I will follow the case up and get back to you with a written report. Let's not take this as an example of how we should establish policy by government.

**Mr. R. F. Johnston:** I am just concerned that this is exactly what is going to happen with your cutbacks.

**Hon. Mr. Bennett:** It's not the cutbacks. It's a matter with the pilot project.

**Mr. R. F. Johnston:** Pilot project—I've got fewer community relations workers in my riding now than I had before and if that is not a cutback, I don't know what is.

**Hon. Mr. Bennett:** Reallocation of talent, because we thought the situation in the area had improved.

**Mr. Chairman:** Mr. Epp.

**Mr. Epp:** Thank you, Mr. Chairman. I just had one final question, Mr. Chairman. I think this will be my final question.

**Hon. Mr. Bennett:** We're back to what vote?

**Mr. Chairman:** Vote 2203. Now just so we are all on the same wavelength, it is going to be Mr. Epp, Mr. McGuigan and then Dr. Duksza.

**Mr. Epp:** Just before I get into that I want also to make one clarification. You wanted to table earlier your response to a presentation that the member for Windsor-Walkerville (Mr. B. Newman) made on my behalf last Wednesday.

**Hon. Mr. Bennett:** Yes.

**Mr. Epp:** Mr. Newman has made a liar out of me and I don't mean that in a negative sense, because I said I didn't expect him to be here except to check up as a whip to make sure that we were here. In fact he stayed here for 10 or 15 minutes, Bernie, so—

**Hon. Mr. Bennett:** Bernie, I think you got a copy, did you, of my—

**Mr. Epp:** Of the response. The minister was prepared to read it out but I said it wasn't necessary because we had some other things to do.

In the eventuality that the regional municipality of Durham said no and they didn't want to go ahead with this, and you deter-

mined that in their wisdom they had made the right decision and in your wisdom you saw that they made the right decision, what would you do?

**Hon. Mr. Bennett:** As I said earlier, Mr. Chairman, in response to similar questions from the same member, I'll review whatever the comments happen to be at the time before trying to make a supposition on a hypothetical situation, if or not, and what would happen. Frankly, I will wait to see what does happen there before I try to render any public opinion as to what our next move will be.

Just in support of moving to the east of Toronto, people have asked what has government done. Obviously we have moved east of Toronto. We have tried to show some sincerity in indicating clearly the relocation of the Ministry of Revenue into Oshawa and the location of the major warehousing facilities of the Liquor Control Board of Ontario into Whitby. I think those are two positive aspects where we see some emphasis placed on the move east of Toronto by the government.

**Mr. Epp:** Okay, thank you.

**Mr. McGuigan:** Mr. Chairman, I was quite interested in and intrigued by the minister's mention that there was an instance in southwestern Ontario where 10 lots had been granted for severance.

**Hon. Mr. Bennett:** Requested.

**Mr. McGuigan:** Or requested. I conferred with my colleague in Kent county, Mr. Watson. We are sure that didn't take place in Kent county.

**Hon. Mr. Bennett:** No, it didn't.

**Mr. McGuigan:** The severance board there—

**Hon. Mr. Bennett:** They're really tough.

**Mr. McGuigan:** They are really tough. I would just like to say that I support them in their toughness.

I would just like to give an overall view of agriculture in Canada. We tend to think of ourselves as a great bread basket of the world and that we have unlimited production. But our total western grain crop of about 30 million tonnes—and that is new tonnes, the metric tonne—just matches the shortfall that occurs from time to time in Russia. We only have about three per cent of the world's wheat supply.

When you look at the amount of farm land in Canada, really dependable farm land, you do an overlay system of transparencies; you choose the soil types and the favourable rainfall and the favourable climate and so on.

You then come down to a very small area of Canada: Southwestern Ontario; the river valleys in BC; the Annapolis Valley in Nova Scotia; and a little bit of land on the southern St. Lawrence. We have a very small amount of dependable first-class land in Canada, as compared to the popular idea that we have unlimited amounts of it. I certainly support the saving of agricultural land where at all possible.

I am not one of those people who says, "There shall be no taking," because we have to recognize that economics govern this country and we accept the matter of growth and so on. So land eventually, and sometimes inevitably, has to be taken, but it should be taken only where it is clearly demonstrated that there is no other course of action.

[3:30]

In this regard, I'm a little concerned about reported comments by our new Minister of Agriculture and Food (Mr. Henderson), who is saying he supports a little freer giving of severances, especially amongst family members. We all know that when these lots pass, especially to retiring farmers and so on, it's only a matter of time and the inevitability of our mortality before those properties pass into other hands. Most often they pass into non-farm hands and you end up with the problem of—

**Hon. Mr. Bennett:** Strip development.

**Mr. McGuigan:** —strip development, and different interests, people objecting to smells, noises and all the other aspects of agriculture. We certainly support a tough stand.

When you look at individual farms—and the farms in southern Ontario are largely developed on 100-acre plots—the farmer generally has put his house in the middle of the frontage. When it comes to giving a severance to a son or daughter or to a retiring farmer, they generally quarter one side of that farm in order to get away from the farm building and to have a piece of property they can convey or sell. You end up with half of the farm effectively strip developed.

In this day, when we have such large equipment, large turning areas are required at the ends of the fields. So, even though there may be only one house in that half of the farm, you might as well strip develop the whole side, as far as the effective use of the remaining pockets of agricultural land is concerned. That may sound like an exaggeration, but I can show you many instances where this is true.

I want to get it on the record that we would like you to speak to your colleague, the

Minister of Agriculture and Food, and see what his intentions are in this matter, because in the part of the country that I represent we feel very strongly about the matter of retaining farm land.

**Hon. Mr. Bennett:** There are a couple of points we can make in a very general observation regarding severances, land use, farming, agricultural production, foodland guidelines and all the other things and, indeed, the smells that bother people who move close to farms. There are a whole multitude of things that are pertinent to this question.

First, I think as a result of farm industrialization farmers produce a great deal more food, based on tonnage per acre, than we've ever produced before in the history of Ontario or Canada. I think that will continue to escalate because of the new knowledge that farmers have. We've also put more farm land into production in Ontario than we've ever had before.

Certainly there's been a great concentration of effort, both by the Ontario Federation of Agriculture and others, to find land that has not been under cultivation and to find people who would rent it or whatever other process might be used.

On the subject of severances, you've touched on the very points that I think concern the Minister of Agriculture and Food and me. What he is trying to do is respond favourably to some of the pressures and complaints that have come from members and farmers—I'm not talking about the Ontario Federation of Agriculture. Farmers, while they agree to some extent with the federation's position, when it comes to their own farm they sometimes have a slightly different opinion and observation as to how things should happen regarding land use.

The present minister, the past minister and the minister previous to that, Mr. Stewart, all realized that farmers were constantly after the government, the local municipality, the land severancer, the land adjustment committee and the provincial government to allow for a greater flexibility in severances. It's not an easy problem.

If you go out to a meeting in rural Ontario or in the smaller communities of Ontario, one of the things that usually takes up most of your time is trying to explain why farmer Jones wasn't allowed a severance and farmer Smith was. I don't know why the land severance committee saw the difference.

Then I'm told there is personal animosity between the fellow on the board and the

fellow who made the application and on and on we go. Eventually the appeals wind up with me. There I have the Minister of Agriculture and Food and others expressing a view. I guess the final decision rests with the minister in charge.

**Mr. McGuigan:** If I could just interrupt, I'm afraid the other minister is trying to please everybody. This is a matter where you really have to come down on a matter—

**Hon. Mr. Bennett:** I suppose if one looks at it in reality the Minister of Agriculture and Food can achieve that because he doesn't have to make the final decision. The bad boy at this time happens to be Minister of Housing who reports for planning and severances and so on.

His attitude toward severance has always been—and I'm not here to speak on behalf of Mr. Henderson; he can do that adequately himself. He carries enough weight in most areas to achieve that. I would suggest he could tell you why he favours a little more flexibility in land severances.

**Mr. McGuigan:** His estimates don't come up till next spring.

**Hon. Mr. Bennett:** Are you afraid there might be that many more before next spring? We will look at them and try to assess them.

While the land severance has been given to the local municipality or to an appointed board, our local people do a review to see what is really taking place. If we find an excessive number in any one jurisdiction, what we do is immediately make it mandatory that all severance approvals be referred to the ministry for a review.

That doesn't mean to say we're going to overturn them, but we do have the 21-day period in which we can object. There are one or two areas in this province where they go about offering severances—I was going to add something, but I'd better stick to land policy. Just about anybody who applies is granted a land severance.

I suppose it's because they feel that's private ownership and a man should not be restricted in the way he uses his own land. As you've said, others down in your part of the province have tried to project the ultimate cost and loss to production. Unfortunately, all the land on which people want to do severances in the Sudbury area is in the agricultural production area for potatoes, obviously because it's the least expensive on which to do the development, rather than through bedrock.

**Mr. McGuigan:** It's the soft underbelly.

**Hon. Mr. Bennett:** That's right. It reduces the cost of the end product, a house. Again, that's where we have to take pretty strong stands. It doesn't make you popular when you turn down a man after he's got local approval.

Let me tell you, that's another thing. There are a lot of times the local people will approve it knowing damned well when it hits the minister's desk it's going to get turned down, but they'll never be blamed for it.

We do appreciate your concern and we constantly review it. I repeat again, in the presence of eight members, given the situation in your own community at the right time, the decision I shall render will be the wrong one.

**Mr. McGuigan:** I don't think I've written you, have I?

**Hon. Mr. Bennett:** I didn't say you had. I just said that there comes a time—but your concerns are well founded. I have certainly made Mr. Henderson aware of the concerns we have in the ministry.

**Mr. McGuigan:** That's good.

**Mr. Dukszta:** I have a couple of remarks and a couple of questions, following up on what Mr. Epp has established. The difference is he came first, I came second. He talked to the Liberal mayor, I talked to Charles Godfrey. We have the same information that the community at large, all the municipalities, are against this particular boondoggle of the ministry's that is still going on. It was created in the splendid days of long ago and should have been abolished by a minister who says that he is not a spendthrift but continues spending money with one hand and removing money from other communities with the other.

There are a number of reasons why this whole project should be reconsidered. First is the expense; I think it's really only a question of land interest. Second is the protection of prime agricultural land which, according to my information and not contradicted by the ministry, is largely class 1.

Third, to summarize what Mr. Epp was saying, there is enough underutilized industrial land in Ajax, Oshawa—you gave very good figures—Whitby and all over the place while the ministry is grandiosely saying this will be an integrated industrial cum residential area. It's not going to be. There's not enough industry and it would deprive the other areas of industry.

The minister wants to build something which is far away and which will operate

only as a bedroom community. There will be no integration whatsoever except as a bedroom community, which we don't need. He could use the money much better in the city of Toronto.

Another point which you also brought out is that there has been almost no significant or meaningful consultation with the community at large, with the local public bodies or otherwise because it has all been concocted in the ministry without any real outside consultation. Of course, they have spent so much money now that they don't know what to do with it, so they have to go on augmenting the original mistake.

It has been largely just a planner's paradise, I suspect. It has benefited a lot of people who've done almost every possible assessment there without any thought as to whether it was really worth while doing. One question which has not been asked is, is it really worth doing? That's the question which should be asked here. It has not been asked because those in the ministry, including the minister, are afraid of doing it. By doing this, as I pointed out before, he is neglecting a number of other areas.

The question is very simple. I think we should seriously think of stopping it, if you have the courage to examine correctly and objectively the situation as it is and consider altering the course of the ministry, instead of going on with this incredible financial boondoggle.

**Hon. Mr. Bennett:** I have replied twice this afternoon. I see no reason to repeat myself. The member knows my position.

**Mr. Watson:** On the land—and I'm more interested in some of the farming aspects of it—you mentioned before that more of it was being farmed now than when you took it over. Do you have any figures on what that is?

**Hon. Mr. Bennett:** Mr. Grant, do you have the actual split in figures?

**Mr. Watson:** What is the policy regarding leasing of this land? Who gets it and under what conditions do they get to farm it?

**Mr. Grant:** I have to go back to 1972 when we first started to acquire the North Pickering lands. At that time a lot of the land was owned by resident farmers, but about half the land was owned by what you might call speculators or developers.

At that time, as best we can reconstruct it, there were about 7,000 to 8,000 acres in agricultural production. Since we've taken over the land and had a farm-lease program in conjunction with the Ministry of Agricul-

ture and Food there are something now like 14,000 acres in agricultural production.

What generally has happened is that with the small land parcels that people held—20 acres, 50 acres, 30 acres or 10 acres—where it's been possible to put them together and form land assemblies for farming purposes, this has been done. Some 100- or 200-acre farms have been put together to make a large-scale operation viable. The net result is not only an increase in acreage into production, but an increased production per acre.

In the policy that has been followed the existing farmers were encouraged to carry on farming in the area. Initially, they were given the first opportunity to lease back their existing farm and to add to that farm these other areas of land we were able to put together.

[3:45]

From there we have developed a policy whereby we now advertise. When a farm comes up for rent, it is advertised for rent. Working in conjunction with the Ministry of Agriculture and Food, young farmers are encouraged to make application. Those applications are screened and the lease is then given to somebody who, in the opinion of both the Ministry of Agriculture and Food and ourselves, stands a good chance of making the farm go, whether with mixed farming or crop farming, whatever it's for.

**Mr. Watson:** What are the terms of the lease? Are we talking about one-year or five-year or 10-year leases?

**Mr. Grant:** No, they are generally five-year leases renewable, with a one-year cancellation. The cancellation clause is both for their benefit and ours.

The rental depends on the class of land, but it generally falls between \$15 and \$25 an acre. Class 1 land would be the top range, depending on how much scrub and bush and other things might work that value down a bit. Then they pay additional rent for the barns, structures and houses.

**Mr. Watson:** Do the tenants have any responsibility for the hardware, for the housing, for, say, the gutter cleaner in the barn? Do the tenants have any responsibility or do government services do all that?

**Mr. Grant:** If the farm warrants it, we put in a new structure for them. For example, if they need a concrete cattle shed, or something like that, we put it in, but we then recover the cost of that through the rent over a period.

I think the farmers generally do their own maintenance of the buildings.

**Mr. Watson:** I am a little concerned at rumours I hear that some of these people take the government for a ride by calling them up to come out and patch a tap when an ordinary farmer or tenant wouldn't do that.

**Mr. Grant:** No, I don't think we do that on farms.

**Mr. Watson:** So that's an exception rather than a rule?

**Mr. Grant:** Yes, on the residential properties where we are a straight landlord, that is different. But on the farm properties, the farmers look after their own maintenance.

**Mr. Watson:** With regard to the agreements in Pickering, do you have the same agreements, say, in the other areas that you have? In Townsend and so forth?

**Mr. Grant:** Yes, The standard has been worked out for all the lands now that the Ontario Land Corporation owns.

**Mr. Watson:** Do you have any figure as to what percentage of the original farmers stayed on this land farming?

**Mr. Grant:** I couldn't tell you.

**Mr. Watson:** You see, the complaint I get—really it's about the people who relocated when they got their money. There are the fellows who, because of inflation, are better off today. But those who didn't relocate, who took your good deal on renting, are now feeling sorry for themselves, because it would now cost so much to go out and replace their farms. They thought they would sit there and look for five years, and because they did that, they are very much in trouble, because the replacement costs of land have gone up.

You say that these are five-year agreements.

**Mr. Grant:** Renewable.

**Mr. Watson:** They are renewable, but the price is—The other complaint I am acquainted with I can perhaps compare to Ontario Hydro which goes through a farm and buys a right of way. There is a tremendous variation in the rents for those rights of way now being paid by farmers, because when the hydro line went through the rent agreed on was \$5 per acre and where you still have the same owner, the rent is still \$5 per acre. Once they trade owners the rent jumps up. It's usually a bargain, but on the other hand it might be \$50 per acre; it might be 10 times what it was when the owner changes.

When you say they are renewable, how much are these rents being increased?

**Mr. Grant:** I can only tell you that when we started again in 1972 and when we really

had a farm-lease policy which was about 1974-75, class A land was renting then for \$10 an acre. It is now renting at between, say \$15 and \$25, so there is some escalation.

Every year the rental level is reviewed and a new rental level is established and the farm community generally is aware of that new rental level. However, on a specific farm the increase is only affected when the lease comes up for renewal.

**Mr. Watson:** Are the original people subject to this increase, the same as somebody else?

**Mr. Grant:** Yes, it's a standard application.

**Mr. Watson:** Back in 1972, when it started, as I understand it you had three classes involved. The first was the original owner. The second was a young person 35 and under and, if there weren't any takers at that, then it was put out to the open market. Are you still following that general philosophy?

**Mr. Grant:** Yes.

**Mr. Watson:** Do you have any policy, respecting the people who are 35 and under, of saying, "We are going to get you started for five or 10 years and then we expect to put you off and let somebody else get started"? Has that ever been considered?

**Mr. Grant:** I don't think we've had that sort of experience yet to be able to do that, because the initial leasing was predominantly to existing farmers.

**Mr. Watson:** So there's been no official program to try to get young people a start in farming?

**Mr. Grant:** Yes, we are trying to get them started, but we don't have an active program beyond that at the moment.

**Hon. Mr. Bennett:** If I follow your question, you are concerned about where you get a young farmer involved and he's been there for the first five years, or let's even say a 10-year period, and then at the end of 10 years we suggest to him it would be best that he move on to buying his own farm so we can now make the leased property available to another young farmer.

**Mr. Watson:** That's really the point. I'm asking if any of that philosophy has gone into it. I'm not saying it should, it's just that one of the problems in agriculture today—I think Jim would appreciate this very much—is unless dad is going to start you, where in the world do you ever get the capital to get going? One of the places where somebody can gain experience and get going is on a rental unit that the government is leasing out. I would hope it would be a continued policy of housing, and you intimated it is,

that people who are—I don't know why 35 has been picked; that used to be the level for junior farm mortgages—

**Hon. Mr. Bennett:** Yes. That's why.

**Mr. Watson:** —a beginning farmer of some kind should have a considerable preference over somebody who is well established. He's a millionaire once and he wants to become a millionaire twice. Don't fall into the trap of what we have in so many agricultural areas today, where the only people who can afford to expand their farming operations are the ones who are already farming.

In other words, unless grandmother dies or you get the money out of the country or something, the only people who can expand are people who already own a farm and they use the farm they already own to pay for the one they are buying. I would hope you don't fall into that trap of renting to people who are millionaires to begin with, unless they are original owners. I follow that concept, as long as the original owner wants it that's fine.

**Hon. Mr. Bennett:** We get into some rather interesting situations in Pickering whereby we rented to the original owner at a prescribed rate per acre. I wouldn't want to go as far as to say it was a sublease arrangement, but the farmer in a private agreement became partners with someone who worked the farm. When the five-year lease was up and we were aware of the fact that the original farmer wasn't running the farm per se, we said it should be made available to the free market system; in other words, to a young farmer.

We got into some difficulties, because the fellow who was working the farm with the original leaseholder thought it was only fair that the lease should automatically fall to him. That selection of who is going to take the farm by the present lessee and not by the government, the owner of the property, is a moot point. We maintain it is our right as the government to decide who is going to get renewal of the lease if the present owner is not interested in working the farm himself. Frankly, we've taken that under advisement.

The last point is it is not our intention to start throwing people off the farm after a five- or a 10-year lease. As long as that individual is interested in working the farm and paying the lease factors that would be indicated at each renewal period he'll be there, as long as the farm is not required by the government for other uses.

**Mr. Grant:** May I just make one comment? As long as the farmer, of course, is farming the land adequately.

**Hon. Mr. Bennett:** I took that for granted.

**Mr. Watson:** I can see your problems of leasing them to somebody who's then sharecropping it with somebody else. When are you a farmer and when aren't you a farmer?

**Mr. Grant:** If that's not in the lease agreement, then he's in contravention of his lease.

**Mr. McGuigan:** Could I ask a supplementary?

**Mr. Chairman:** I'm sure the committee would concur on that. Again, in the interest of advising everybody of the list, what we did, following Mr. Epp's line of questioning on vote 2203, actually so far we've had three supplementaries from Mr. McGuigan, Mr. Dukszta and Mr. Watson. I'd just point out to the members of the committee that there are four people yet on the list, two of whom have been there since two o'clock wishing to speak on Ontario Housing. We have 40 minutes left.

If the committee concurs, would you permit Mr. McGuigan a supplementary on this item?

**Mr. McGuigan:** Just a short one. Have you thought about how this lease would pass to the next generation?

**Hon. Mr. Bennett:** Father to son, you're referring to?

**Mr. McGuigan:** Yes.

**Hon. Mr. Bennett:** At the moment to the best of my knowledge, we haven't been confronted with that situation. That doesn't mean to say we shouldn't be giving it some thought though and consideration. Mr. Grant says the general rule has been we would allow it to pass.

In respect of what Mr. Watson has said—you might concur with him, I don't know—if you're dealing with a millionaire's family maybe we shouldn't be allowing it to pass. We should allow that fellow to go out and acquire his own property and give it to some other individual whose father's financial background is such that he could never get onto a farm.

I suppose what we'll do is try to review the policy and if we see it being exploited or abused we'll change it.

Items 1 to 4, inclusive, agreed to.

Vote 2203 agreed to.

On vote 2204, community development program, item 1, program administration:

**Mr. Hennessy:** From what I understand the minister is selling a number of sites that were previously purchased for public housing. Is there any indication the requirements for public housing have decreased?

**Mr. Dukszta:** Does that not come under the housing corporation?

**Mr. Chairman:** I think that will be under vote 2206.

**Mr. Hennessy:** Rental accommodations?

**Mr. Dukszta:** No, he's talking about accumulation of land for OHC, which comes under vote 2206.

**Hon. Mr. Bennett:** It can either come under that or Ontario Land Corporation, since all lands that were owned by Ontario Housing Corporation have now been turned over to the OLC.

**Mr. Chairman:** Let's take it as coming under vote 2205.

Item 1 agreed to.

Items 2 and 3 agreed to.

Vote 2204 agreed to.

On vote 2205, Ontario Land Corporation program; item 1, Ontario Land Corporation:

**Mr. Hennessy:** I understand the ministry is selling a number of sites previously purchased for public housing. Is there an indication that the requirements for public housing have decreased?

**Hon. Mr. Bennett:** First of all, the sites being sold.

**Mr. Riggs:** It is true the ministry has reviewed some of the sites they purchased a number of years ago in municipalities throughout Ontario. There are two reasons for this review.

About a year ago the federal government stopped funding public housing, as we know it under section 43, and diverted their allocation of money into the nonprofit program, which is an integrated approach to public housing. The province was faced with a dilemma. There would be no further funds from Central Mortgage and Housing for sites we had purchased. We were also moving in the same direction as the federal government, wanting a more integrated kind of public housing than that which previously had been built particularly for families.

[4:00]

In each case, at a site under review which may be declared surplus the municipality is first of all made aware of the situation. If they wish to purchase it for a nonprofit site it can be offered to them. We also will try to find other agencies, including provincial agencies and nonprofit agencies, which might wish to purchase it at a market value for housing. Failing that, we would place it on the open market on a tender system in order that the province would, we hope, recoup

any cost incurred in purchasing and holding it.

To the second point of the question: Yes, there is a decrease in the apparent demand, particularly for family housing. Our waiting lists across the province, particularly in some of our larger cities, are decreasing because of our turnover in our present portfolios, running about 10 to 12 per cent per annum, providing accommodation for the waiting list. Yes, our waiting list for family accommodation is decreasing as far as we can see.

Senior citizen accommodation seems to be holding at the moment, although we do know that the future requirements for some form of shelter for seniors will increase as the proportion of seniors in our population also increases.

**Mr. Hennessy:** I'd like to ask another question. In the past year Canada Mortgage and Housing Corporation introduced two non-profit rental housing programs. Could the minister give me an indication as to how these programs have been accepted by the municipalities?

**Hon. Mr. Bennett:** I think the municipalities generally have received very well the new agreement we have with CMHC which, as Mr. Riggs has indicated, really replaces old section 43. While they haven't all got into the action at the moment, I'm not sure of the number of non-profit municipal corporations—I think there might be a dozen or so across Ontario, and those are the principal communities that are involved in the rent supplement program or the public housing accommodation. They participate in it because I think they see some real advantages.

I said last week in my opening remarks and I'd like to repeat them today that I think a great deal of the value that's been received in this new agreement is due to Mr. Riggs and Mr. Burkus of the Ministry of Housing. I think they bargained for the right type of participation by the federal government. I think the participation by the federal government in the way it's been worked out does show municipalities that they can be in this program with no direct cost to them for many years to come, if at all.

The same program, of course, is available for senior accommodations and for family accommodations. At the same time, we did not become the agency responsible for the private nonprofit or the co-op development in this province.

There are some negotiations going on at this moment with the federal government because their attitude now is that they would like to depart the housing field and give the

entire responsibility to the province of Ontario

There are some advantages: there's better co-ordination of the housing stock that's required to meet the public demand; that is in the public-supported area. The co-ops at one time only had to have initial approval by the federal government. After that approval it would come to the province and the municipality. Sometimes the municipality said, "We really don't know why this is being approved because the apparent need in that area of our community is not there." The fact is if it got approval by the feds, whether we liked it or we didn't like it at the provincial and municipal levels, we pretty well had to concur with the subsidy program.

In a very definite way the program has met with a great deal of acceptance by the municipalities. We are moving forward with it in an aggressive manner. I only caption the remark by saying that the interest rate is down from the current rate of two per cent, the difference in that rate being the subsidy program by the feds towards, one, running down all rents; two, the surplus money is used to meet the percentage of the rent-gearred-to-income units within the particular project.

We're very serious when we say it will be a long time before the municipalities become financially obligated. I think it will be a number of years before our percentage of the action has to come into play. I would think that seven years is a very realistic period and it could even be longer with the escalating interest rates and the other things that are happening in the marketplace today.

But, overall, yes, it has been very acceptable to the municipal corporations and my understanding is there is a great deal of correspondence today coming in from various municipalities inquiring as to how they go about establishing a nonprofit housing corporation and the provision of this type of unit.

**Mr. Hennessy:** One supplementary. Have you heard anything from the city of Thunder Bay in regard to this?

**Hon. Mr. Bennett:** The city of Thunder Bay, Mr. Riggs. What was the last thing we had with them? I know they've asked us if we'd manage some of the units that are under their nonprofit corporation under the Ontario Housing Corporation or under the authority that is in Thunder Bay. We have, at the moment I think, avoided this.

**Mr. Riggs:** Mr. Chairman, since the original projects that were built in Thunder Bay, not by the municipality but by private

groups I am not aware of any activity at all at the moment by the municipal council.

**Mr. Philip:** A supplementary. As I understand it, under the formula in the new federal program, you'll have roughly about 15 per cent of the units geared to income in the new co-op housing projects. Will the ministry be bringing out its own program to increase that percentage by putting in a mirror kind of program? Under the present co-op program, as I understand it, about 25 per cent are geared to income in the cooperatives.

**Hon. Mr. Bennett:** Mr. Philip, the government agreement is a minimum of 15 per cent, to be eligible for some of the federal grants and so on that come about under the co-op agreement, which is entirely an exclusive property at the moment of the federal department. Our position in Ontario has been made very clearly that in a rent-supplement factor, not in a family unit, not more than 25 per cent of the units would be rent supplemented. In a senior citizens project, whether it be co-op or nonprofit, it would be not more than 50 per cent of the units. So we are already mirrored, if that's the expression you wish to use, in relationship to those. But the initial putting on stream of those projects is with the feds.

**Mr. Philip:** I guess my concern is that whenever a Conservative government says a minimum they usually mean a maximum. It becomes the guideline. I suspect then what the federal government is doing is really coming on with 15 per cent. I'm asking you what are you going to do to increase that 15 per cent to 25 per cent or even the 25 to 50 per cent which is—

**Hon. Mr. Bennett:** You said very clearly—and I repeat it—you just said it two minutes ago, and I don't know why you said it, a Conservative government. The 15 per cent was established by a former administration, to the best of my knowledge. Prior to May 22 the government of this country was not Conservative. It was a Liberal government that had existed for a number of years in Canada.

**Mr. Philip:** Sometimes there's very little difference:

**Hon. Mr. Bennett:** That is an opinion expressed only by yourself.

**Mr. Hennessy:** By the voters.

**Hon. Mr. Bennett:** The fact is I said to you earlier we have established, with the co-ops and the nonprofits, in family accommodations, rent supplements and rent geared to income, whichever you wish to use, the

maximum number of units at 25 per cent for families in a given project. In other words, if there are 100 units, the maximum number would be 25 for families. If it was a 100-unit senior citizen project, the maximum participation by the province of Ontario by an agreement in that co-op or nonprofit would be 50 per cent or 50 units.

**Mr. Philip:** May I ask another supplementary on the sale of land? On the Bergamont project, which was an OHC project that was sold, was that offered first to cooperatives and nonprofit, and did the government offer it at a fair market value? In other words, was it sold at the same market value that it would be sold at to private developers, or did they offer it at a reduced rate to keep it in the nonprofit sector?

**Mr. Riggs:** In that case it was an existing project. There was discussion with the municipality. We wanted to ensure that they were in agreement the best use of the property was for sale, hopefully for housing purposes.

Because of the ongoing cost of the entire project the decision was made by the Ontario Housing Corporation's board that it be put out to tender, which allows all nonprofit corporations in Metro to have an equal opportunity with the private sector to tender on it. That's the situation at the moment. There was the problem of having a building and a piece of land under a debenture with CMHC with its ongoing carrying costs.

**Mr. Philip:** So in other words the policy statement you made earlier that you first offer to nonprofit housing doesn't apply when it comes to the sale of an existing OHC project you may wish to get rid of.

**Mr. Riggs:** Mr. Chairman, the question from the member for Fort William was in relation to surplus land and I took that literally in responding. I was responding entirely to the question of pieces of land the province had purchased, which are vacant and which had been intended for public housing, either family or seniors, and which are not being proceeded with because of circumstances. I apologize if I misled any of the members here by—

**Mr. Philip:** You didn't mislead. I'm just clarifying that you do have two different policies, one for what you call surplus land and the other for existing OHC projects that you may be liquidating.

**Mr. Riggs:** At the moment that would be the case.

**Mr. Philip:** Is that a policy or did it just happen to be a particular situation in that case, and may we expect a different kind of situation to occur in another case where you might have another OHC project you are going to liquidate?

**Hon. Mr. Bennett:** Was the last one a question or—

**Mr. Philip:** I'm asking you a question. You are the person who answers policy questions.

**Hon. Mr. Bennett:** Since I've been minister the only project I have known that we have eliminated from the holdings of Ontario Housing Corporation is the one we are referring to. Certainly the decision to put it on the market for bids was a policy formulated, I suppose, regarding that specific location after discussions, as Mr. Riggs has said, with the municipality.

**Mr. Philip:** Fine.

**Mr. B. Newman:** Can I ask a question on the same vote?

**Hon. Mr. Bennett:** On the same vote?

**Mr. B. Newman:** Right. That's 2205?

**Mr. Chairman:** That's correct.

**Mr. B. Newman:** Right. The ministry holds approximately 672 acres in the Riverside East planning district in the Windsor area.

**Mrs. Scrivener:** I think you are in 2204. Or are you taking it all together?

**Mr. Chairman:** This sounds like it fits.

**Mr. B. Newman:** I wanted to ask of the ministry if they are prepared to sell to the city of Windsor, as requested, some portion of that, 250 acres, for industrial purposes so they could accommodate the industry that is moving into the community. These 250 acres are along the railroad line and would be better suited for industrial purposes, I would think, rather than residential.

**Hon. Mr. Bennett:** Mr. Grant, I think, can likely offer some advice if he wishes to come forward, but I understand that at this very time there are some negotiations going on between our ministry and the city of Windsor as to the possibility of the availability of this land for some of the uses you have indicated. As Mr. Riggs has said, in most cases where land is declared surplus to our needs it's ministries of the government and other provincial, federal and municipal agencies which would have the right to indicate to us that they have some need or use for it.

**Mr. B. Newman:** I understand they have communicated with you people over the 250 acres and in fact they suggested a price of

\$7,000 an acre for a total amount of \$1.75 million.

**Mr. Watson:** Are you concerned about subdivisions along railroad lines?

**Mr. B. Newman:** No, I'm not concerned about that, I'm concerned about the development of industry in the community and in keeping the city moving. We have the highest unemployment rate of any city in the dominion of Canada and if we can lower that by attracting more industry we are certainly more than pleased to be able to do that.

[4:15]

**Mr. Grant:** The Riverside East land assembly in Windsor is at the moment owned by the Ontario Land Corporation. The Ontario Land Corporation deemed this land surplus to its own development requirements, since we have Windsor Hall Farm and Little River Acres under active development.

Because of the demand in Windsor for both industrial and residential development we are trying to dispose of this land assembly. We've been having negotiations with the city of Windsor since the beginning of the year. There are many complications in dealing with the municipality regarding OMB approval and the fact that they only wanted part of the land. They wanted some industrial part and they wanted some part for parks. What we eventually decided was to put the total land assembly on the open market.

**Mr. B. Newman:** The whole 672 acres.

**Mr. Grant:** The whole 672 acres. This does not preclude the municipality from bidding on or purchasing the whole assembly. It does not preclude them from working out some arrangement with some other purchaser for that 250 acres. If we were to sell the 250 acres along the railroad track to the municipality it would make it terribly difficult, in our opinion, to sell the whole assembly. Without moving the whole assembly—because there are some drainage problems with that assembly, as you're probably well aware—it didn't seem a viable proposition to split it.

**Mr. B. Newman:** I don't know how to reply to you, but you have been in communication with the community. You are willing to sell the whole assembly rather than any portion of the assembly.

**Mr. Grant:** Yes.

**Mr. B. Newman:** Is that a policy in other areas where you have a substantial acreage such as you have here? Is that just because part of the acreage is low-lying and would probably need infill?

**Mr. Grant:** It's mainly to do with the particular circumstances of that area, but in other areas too. This is one of the bigger land assemblies. We have not marketed a raw land assembly of this size before.

**Mr. B. Newman:** Wouldn't you be sort of going contrary to the Ministry of Industry and Tourism on this? They're encouraging industrial development and here you could be discouraging industrial development by not selling to the city the acreage which they would be holding for the industry they contemplate coming into the area.

**Hon. Mr. Bennett:** It's like having any parcel for sale. There's somebody who always likes the prime end of it. As for the bad end of it, they say, "You keep it, Mr. Seller." Frankly, I think, as Mr. Grant has tried to indicate, there are some servicing problems with the land. Whoever has the package should take the whole thing, so they can service it adequately and dispose of it in whatever plan and fashion they wish.

It's great to have somebody move in and say, "I'm buying up the good portion of it for my purposes, but I don't really give a tinker's dam how you dispose of your end of it, Mr. Government of Ontario. That's a problem you can contend with."

Frankly, I understand negotiations are still going on. Whether Windsor will buy the whole parcel or not, I have no idea in the final analysis. I think some of their problem comes down to the availability of funding.

**Mr. B. Newman:** I can understand your argument there. The thing that disturbs me is that when the Ontario Housing Corporation was buying this, certainly it knew what they were jumping into. You found the water was too deep after you bought it, though.

**Hon. Mr. Bennett:** No.

**Mr. B. Newman:** Yes, it does look like that. The area in Riverside at one time was very marshy. I doubt you bought that land without really knowing there would be the need for substantial infill before you could develop housing on it. Would you do it in that fashion?

**Hon. Mr. Bennett:** We're not arguing what the land factors happened to be then or now. We also told you earlier today that section 43, which was the corporation's way of developing public housing is passé. Today we're into a nonprofit situation. It's a whole different ball game. The need for some of the lands that we acquired previously in anticipation of housing needs under section 43 no longer exist.

We also knew at the time if we went into a land assembly and development of it one area would be contiguous to the other and that the costs would be shared over the number of units developed. At this point, we have somebody who wants a portion of it.

**Mr. B. Newman:** It makes me wonder as to the type of advice you are getting from the Ontario Land Corporation when you invest a substantial amount of money in swamp land. What are you hoping will happen? Are you hoping the Detroit River will drop substantially so the level of the groundwater will be a little lower and as a result you could develop in there?

It seems very strange that this would have been purchased knowing it was not suitable for housing. I'll stand there, Mr. Chairman.

**Hon. Mr. Bennett:** I'm not so sure we've said it's not suitable for housing. Windsor has indicated they think it would be better used for industrial purposes.

**Mr. B. Newman:** They're referring to the land along the railroad siding. It would be better to have industry there rather than housing. I know the effects of housing along a railroad track. I live fairly close and when we have the inconsiderate attitude of CP Rail in their approach to residents, I can see you should probably only allow industrial development along railroad tracks. I'm not saying you should allow, I'm saying maybe you should. It seems a better use for the land.

**Hon. Mr. Bennett:** I'm not arguing that point at all.

**Mr. B. Newman:** I just can't understand why you would have bought it in the first place if you knew a large portion of it was really swamp land.

Item 1 agreed to.

Vote 2205 agreed to.

On vote 2206, Ontario Housing Corporation program; item 1 Ontario Housing Corporation:

**Mr. di Santo:** I'd like to raise a few questions about what now has been recognized as the Ontario Housing problem. My impression is the government at this point is unable to deal with what is becoming a very serious problem in our society. I'm particularly concerned with Metropolitan Toronto, but I think the same problems apply to other major cities.

Perhaps I should illustrate the problem from the point of view of the area I represent. This includes the Jane-Finch corridor where there is a very high concentration of Ontario Housing units and where right now

we are seeing problems which are becoming so paramount they are really worrisome.

The problem originated, I think, from the fact there is a very high concentration of units in a very small area and also from the size of the buildings. There are buildings like 15 Tobermory, which is 24 storeys with 16 units per floor. We have 384 units in one single building with 900 children and an almost total lack of recreational facilities and services.

We have increasing problems which perhaps the general public isn't perceiving at this point, but they are becoming very serious. If you check with the police or the firemen you find that calls are very frequent. On weekends, you can see the police, firemen and firetrucks, going to the big Ontario Housing units I'm referring to often, sometimes several times a night. The people who live in Ontario Housing are really desperate. People who are really scared are calling my office, because they are afraid of opening their doors when people knock on them. They feel trapped and don't want to communicate because they don't know whether the people outside want to break in or have intentions of harming them. And there are reports of vandalism every day—several times a day in some units.

**Hon. Mr. Bennett:** You mean to the building and not to the individual apartment.

**Mr. di Santo:** To the buildings and to the individual apartments.

**Hon. Mr. Bennett:** Break-ins in apartments?

**Mr. di Santo:** Yes. This happens despite the efforts within some of the units. I want to mention three units on Falstaff Avenue where the residents are trying very hard to organize themselves and to create a social environment which is livable. In fact you may know there is an organization called the Tri-circle which is trying desperately to set up a kind of social network within the units. They are not being successful for two reasons: The residents don't trust each other and there is a total lack of communication, let alone integration, with the surrounding community.

This is a very serious problem because it creates a ghetto, where people live trapped, fearful of other residents and hateful of other people who happen to live in what we call ordinary housing. The high incidence of dropouts among families resident in Ontario Housing is increasing and so is the incidence of juvenile delinquency. Anyone familiar with the Jane-Finch corridor will know how serious the problem is—it was, by

the way, underlined by the report Suburbs in Transition, two months ago. The government is not addressing itself to this serious social problem. The government is wrong to address itself to the financial aspect of the Ontario Housing while the social problem remains. The economic aspect is important but the problem is social.

The losses in the operation of Ontario Housing have certainly to be taken into account, but what is more important is the human loss. We are creating in our society—and we have more than 20,000 housing units in Metro—a group of misfits who are unable to function in our society. We have young people in that environment who don't have any incentive to become active in our society. The rate of dropouts is one of the symptoms.

I wanted to raise this problem because I think it's very serious, but I would also like to point out briefly that there are other problems that can be corrected. One of the problems I have found very important is that Ontario Housing Corporation gives the management of units to private companies. We have had so many problems with one of these companies, Greenwin Management, that I cannot illustrate how serious the problem is. We have asked the ministry several times to review the contract. They never did.

[4:30]

**Hon. Mr. Bennett:** To review the—

**Mr. di Santo:** Review the contract and do a study to see if there was a possibility that at the end of the contract Ontario Housing could manage those units directly. And it never did. In those buildings we have problems you cannot even imagine. The community relations worker is worse than a Gestapo policeman. In fact, if you inquire there you would see that people are so scared of the community relations worker they don't even want to talk to her.

**Hon. Mr. Bennett:** You and Mr. Johnston should get together; he's looking for more of them.

**Mr. di Santo:** Mrs. Whilsmith?

**Hon. Mr. Bennett:** I said you had better get together with your colleague in the party because he's looking for more community workers.

**Mr. di Santo:** I'm bringing a specific example. There are some residents who are now studying the possibility of launching a lawsuit against this particular person because she walks through the hallways with a Polaroid camera, enters the apartments and takes pictures. I think this is intolerable for Ontario

Housing. I raise this issue with you and with your—

**Hon. Mr. Bennett:** No, you haven't. I beg to differ with you.

**Mr. di Santo:** With your predecessor; I have all the correspondence with me and it seems that for the ministry everything is okay because there are no complaints outside that project.

The third point I'd like to raise—but I think there is no time—is the labour relations within Ontario Housing, but I will raise that issue in another instance.

**Mr. Chairman:** Gentlemen, we have Mr. Philip, Mr. Newman, Mr. Charlton and Mr. McGuigan; we have about three minutes.

**Mr. Philip:** Just by way of a passing comment on the community relations officer. As I understand it, regarding the particular one Mr. di Santo raised, I didn't realize she was in his riding at the moment. If it's the same person who was in my riding at 75 Tandridge—and I'm not mistaken—then the person who replaced her is certainly much more acceptable to the tenants than she was.

**Hon. Mr. Bennett:** Who was the person that you were—

**Mr. Philip:** The person who replaced her is a Mr. Maurice Fiaschetti, who is quite well liked by the tenants, so I think that it is a matter of who is the community relations officer. Some of them do an excellent job and others are less respected by the tenants.

I'd like to ask a question on the immigrants who bring children to Canada. We could have a situation where a tenant in Ontario Housing has, through their ability to raise the money and improve themselves and therefore bring, say from Jamaica to Canada, children they had previously left behind with grandparents. We've had the experience that sometimes these people are harassed by OHC officials on grounds that they'd signed a tenancy agreement for only a certain number of people in that unit and suddenly there are more people in that unit than they agreed to.

The fact of course is that when they signed the agreement they intended that only a certain number of people would be living there. That was their immediate family. The grandparent becomes sick—in Jamaica or whatever other country. They apply to Canadian immigration. The children come legally into the country and I'm wondering why it is then that we have these hassles where I have to threaten to go public on it before these people are transferred to other suitable accommodation rather than being threatened

with eviction as they frequently are and harassed by local OHC officials.

**Hon. Mr. Bennett:** First of all they are asked for the number of children; they are not asked where the children happen to be—that is the offspring of the individual making application. It doesn't take a great deal of effort, I would think, to indicate you have six children or five children, or whatever the number happens to be.

To make it very simple, sure it's easy to criticize the program because some of the regulations have been rigidly enforced when people have not declared the size of their family. The policy you mention is under review at the very moment. There are a number of reasons we're not all open and knowledgeable, but the fact is some of the larger families can be more easily accommodated today than smaller families, inasmuch as in a lot of areas we have surplus units with three, four or five bedrooms. If they happen to have a large family they can be accommodated with greater ease than somebody looking for two bedrooms, for example.

The policy's being reviewed. I don't know how much more I can say than that.

**Mr. Philip:** If I sign a contract with a landlord I assume he's talking about the number of children I have with me, not the number of children I may have in some other country.

**Hon. Mr. Bennett:** They ask for the number of children.

**Mr. Philip:** Would the minister provide us with the manual of administration of workmen's compensation?

**Hon. Mr. Bennett:** I don't have anything to do with that manual.

**Mr. Philip:** I mean the manual of administration of OHC, since obviously the Workmen's Compensation Board has seen fit to provide us with one. Under the Residential Tenancies Act the manual is open to people like ourselves who are interested. The fact is that your policies are not known either to the tenants or to the opposition MPPs or to the government MPPs. That's why there's the constant suspicion that the decisions are made out of caprice and local prejudices on behalf of management, rather than out of any kind of policy you may have.

When are you going to give us a manual of administration so that we can deal openly with Ontario Housing Corporation and not hide it the way that you've done?

**Mr. Chairman:** In this instance, we have run out of time. With the committee's concurrence we'll agree to let the minister respond. We would not be able to proceed to

the other gentlemen on the list whose questions will have to wait until question period, I suppose, and the normal route. The 10 hours that have been set aside by the Legislature for us has expired.

**Mr. B. Newman:** If the minister would allow a few more minutes I think we should just carry on. I wouldn't be on for more than maybe three or four minutes to raise the issue I have. I wouldn't take any more time than that.

**Mr. Philip:** Under standing orders that's perfectly acceptable. Although you do not officially extend the time, as long as you take the vote you may still extend the dialogue and it may be recorded in Hansard. I'd be willing to listen to Mr. Newman's questions if the minister is willing to stay.

**Hon. Mr. Bennett:** First of all, so that there's no misunderstanding, I answered Mr. Dukszta's question on the Order Paper, which is question 145.

**Mr. Philip:** I have that.

**Hon. Mr. Bennett:** I think we answered it in complete detail through Dr. Stewart, the secretary of cabinet. Secondly, there are Assisted Housing Guidelines for Admission and Continued Eligibility, which is a public document that's available on the guidelines and the criteria for eligibility in public housing. I trust the member has seen it or had the opportunity of reading it once or twice.

**Mr. B. Newman:** The issue I wanted to raise was the development of more senior citizens' housing in the city of Windsor. I say senior citizens' housing because when one looks at the numbers from last year and compares them with the year before, if you had not included the rent supplement that you've implemented this year you would have had the need for 422 senior citizens' housing, whereas a year ago you only needed 291.

Even with the rent supplement program you're still not meeting the demand. I would appreciate it if you would look at that rent supplement program a little more carefully and see if you can't reduce that demand.

Also would you give some types of guidelines to your local housing authorities so that province-wide the income level of the eligible individual would be the same, so when the individual first goes into Ontario Housing he knows that if he has an income over a certain amount or assets over a certain amount he can be asked to vacate at the first opportunity?

It is no good setting the rules of the game after they're in the unit and then come along and tell them, "You've got \$52,000

assets. You should not be getting government-subsidized housing." We all agree with that.

I would also suggest to you, Mr. Minister, that you should also have guidelines for vacations. Quite often people living in government housing have their families help them go to Florida for a month or two or maybe even longer during the cold weather months. I can see nothing wrong with a family helping them to go down there.

**Hon. Mr. Bennett:** What is your position on it, Mr. Newman? You say for what period of time.

**Mr. B. Newman:** A month or two.

**Hon. Mr. Bennett:** What about six months?

**Mr. B. Newman:** A restricted length of time, Mr. Minister. I think they should know—

**Hon. Mr. Bennett:** Bernie, we do have a two-month position—

**Mr. B. Newman:** All right.

**Hon. Mr. Bennett:** —but when somebody has three, four, five, and six months.

**Mr. B. Newman:** All right Mr. Minister; then what you are not doing is informing the tenant before, or at the time he signs a contract. You are informing him after the apartment has been vacated for a given period of time, then you are penalizing him. Let him know the rules of the game when he first gets into the unit and then no criticism can be levied at the ministry.

**Hon. Mr. Bennett:** I agree. We do try to indicate to them what the rules and guidelines are. There are times when changes come along. For example we would like to see a more integrated housing program today. Mr. di Santo speaks about the Jane-Finch corridor and about the large number of OHC units. He says there is a fear there because they are all of one certain income—I gather that was what he was implying. We accept that it would be a much better policy in Ontario and I suppose anywhere in Canada where public housing exists in large numbers in one community, if you could integrate other incomes and other social habits and so on. We will attempt to do this.

Just one further comment on the Jane-Finch corridor, which is a misunderstanding. I wish the member had stayed after he asked the question. While we do have a part to play in the number of units, let me assure you the private sector has a hell of a lot more units in that area than we do and they are having the same problems. It's not exclusively a problem of OHC. But we are trying to integrate people.

I will only come back to one other thing. It's not our intention in the future, under our agreement with the federal government, to ask someone to vacate because they have exceeded the income limits. We think one way of trying to integrate things and re-establish some better social understandings, in seniors and in families, is to allow people who have gained higher income levels since they have been part of the public housing operation to remain there—to pay a market rent, but to stay there if they wish.

It does two things: it reduces our overall loss, which reduces the municipality's participation in the project, which they seem to think is good; and it brings a better social understanding and a blend of situations. We have too high a mother-led family or single-parent-led family situation in our portfolio today. I think through integration we might balance this and it will be good for everyone involved.

**Mr. Philip:** Are you saying that you may be willing to put the ceiling as the fair market value on the rent collected from a unit?

**Hon. Mr. Bennett:** Sure, because we have discussed this with the federal government in recent months.

**Mr. Philip:** Because some people are being—

**Hon. Mr. Bennett:** We allow for a percentage of our units to wind up at what we would consider market value rent.

**Mr. Philip:** Some people who rise to a position of being leaders in a community often are priced out of their unit. What you often do is drain some of the indigenous leadership. Simply because the person happens to be able to get a job at \$16,000 a year, even though he may be happy to live there and he may be president of the tenants' group, he is forced to go and rent elsewhere.

**Hon. Mr. Bennett:** I can only say that in our policy with the federal government we have started off with a five per cent factor of units on the overall portfolio—we have increased that as high as 15 per cent—that we could accommodate in other than what we call rent/geared-to-income accommodation, where we get to a market value rent. That would accommodate what you are commenting on and obviously has been observed by governments at all levels and social agencies, that it would create a much better atmosphere. As you say, some of the leaders of the community who now excel in their place of employment and surpass the maximum income of OHC, should be

retained for their leadership qualities. We make it available to them. Not all of them stay, for one reason or another, but that's what we are attempting to do.

It's not going to be simple because it's going to take years to accommodate. We didn't get into this problem overnight. We got into the problem because somebody told us there was such a demand, and there was, and there had to be somebody respond with a large number of units just about instantly. This is what you get as the end result.

**Mr. B. Newman:** I understand all the problems, Mr. Minister, and I could have made the suggestions you made. But I hope that I was trying to be constructive with you so that not only would you have a better meld of people in the units but so the people who go in the units know the rules of the game from the outset.

[4:45]

**Mr. McGuigan:** I have two constituents—a brother and sister, both of whom have lost their spouses. They've been living together for a number of years in their own private residence but now they feel this is too much to look after and they have applied to a senior citizens complex. They are told they can't have a double bedroom, they must have two single apartments. Is that a policy of the ministry?

**Hon. Mr. Bennett:** First, I would have to think we have two-bedroom senior citizens' accommodations in this province. Does that explain part of the problem?

**Mr. McGuigan:** I guess it does.

**Hon. Mr. Bennett:** I don't expect that—well, I won't go into that detail, but—

**Mr. Dillon:** We do have an answer here.

**Hon. Mr. Bennett:** We do have an answer which says if we could go into rent supplement, we find two-bedroom accommodation. But I'm not sure what the answer is. This is the deputy's first time to answer a question, so pay attention.

**Mr. Dillon:** I wanted to end up in a blaze of glory. Depending on what area we are talking about, there is no reason, as we can see it, why your brother and sister couldn't be accommodated in a two-bedroom family unit.

**Mr. McGuigan:** They are not my brother and sister.

**Mr. Dillon:** But there are no two-bedroom units in the senior citizens' situation, so that's the answer to that.

**Mr. Philip:** Since he claims there is a surplus of units, would the minister be will-

ing to table by category—namely one-bedroom, two-bedroom, three-bedroom vacancies—the number of people who are on the waiting list for each of those in Metropolitan Toronto?

**Hon. Mr. Bennett:** I referred to them as vacancies, but we have moved into these some families that would be classified under normal circumstances as "overhoused"—they have more rooms than they really require by the size or formation of their family. While the unit is not vacant, it really is not what was intended as the appropriate use of the accommodation. I'm sure that Mr. Beesley can put together information on some areas where we do have surplus units.

**Mr. Philip:** What I am asking Mr. Beesley or you to table with us in the House is a list of the number of people who are on waiting lists for one-bedroom, two-bedroom, three-bedroom, four-bedroom OHC geared-to-income units in Metro.

**Hon. Mr. Bennett:** We always have that. I think we have tabled this information on more than one occasion around here; it is made public. We blend together the Metropolitan Housing Corporation—the nonprofit housing corporation of Toronto—and our own to try to bring some resemblance to what goes on.

**Mr. Philip:** If it takes my constituents a year to get into Ontario Housing, they often eliminate themselves from the list simply because they haven't been able to get accommodation and therefore they have to go elsewhere to find that accommodation. When it takes a year or two years to get some people placed I really question how many vacancies you have by certain categories.

**Hon. Mr. Bennett:** There is a quarterly report that is filed with Metro and others showing the exact breakdown the member refers to—one-, two-, three-bedrooms and so on, and what the waiting list happens to be. There are very few people I know who remove themselves from the public housing waiting list voluntarily. They might also be on double or triple application by other authorities that serve this metropolitan area.

Item 1 agreed to.

Vote 2206 agreed to.

Vote 2207 agreed to.

Vote 2208 agreed to.

**Mr. Chairman:** That completes the estimates of the Ministry of Housing. On Wednesday next at 10 a.m. we will begin the 15 hours set aside for the estimates of the Ministry of Energy.

The committee adjourned at 4:50 p.m.

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**From the Ministry of Housing:**

Dillon, R. M., Deputy Minister  
Farrow, G. M., Executive Director, Plans Administration Division  
Grant, R., Director, Marketing and Long-term Planning  
Riggs, R. W., Assistant Deputy Minister, Community Development







2 Legislative Assembly

No. G-8

# Legislature of Ontario Debates

## Official Report (Hansard)

### General Government Committee

Estimates, Ministry of Energy



**Third Session, 31st Parliament**

Wednesday, November 21, 1979

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 21, 1979

The committee met at 10:07 a.m. in room 228.

### ESTIMATES, MINISTRY OF ENERGY

**Mr. Chairman:** In the interest of time I will call the meeting to order. We have representatives of the caucuses here. I know Evelyn knows about this, but I want to clarify it for Mr. McEwen and Mr. Watson. We have a proposed schedule on how we would split the 15 hours we have for the Ministry of Energy estimates. It has been agreed to by the opposition critics and the minister.

It makes a great deal of sense in the interests of intelligent use of time, the way the schedule has been outlined. Everybody should have a copy of it and I don't think it requires any elaboration now. It does give the committee an opportunity to get into two or three aspects of the estimates in some detail.

**Mr. Watson:** Mr. Chairman, I have not been involved in a lot of these estimates, but it seems to me you spend a lot of time on one item and then at the end you get nothing, and this seems like a reasonably good idea. Do you need any authority? Do you need a motion that this be the suggested time allotment? Then you won't feel badly about cutting somebody off if we come to the end and say, "That's the end of that vote; we are going on to another one."

I'd be prepared to make that motion because there are things down there that I would like to discuss and know when they are coming.

**Mr. Chairman:** I think it's a good idea.

Mr. Watson moved that the proposed schedule be adopted for the Ministry of Energy estimates.

Motion agreed to.

**Ms. Gigantes:** Mr. Chairman, can I raise one other point? When we get into votes 2002 and 2006 that we will likely be swinging back and forth in the discussion between those two votes. I hope that will be acceptable to the chair.

**Mr. Chairman:** Votes 2002 and 2006? That's this afternoon, really.

**Ms. Gigantes:** We may get started this morning, God willing.

**Mr. J. Reed:** I think the intent was to do that.

**Mr. Chairman:** Yes. Okay.

**Ms. Gigantes:** Thank you.

**Mr. Chairman:** Evelyn, I am a study in flexibility. That makes sense I think everybody's on the same wavelength. That is agreed, then, and the motion is carried. If the minister would be kind enough to begin his opening statement.

**Hon. Mr. Welch:** Mr. Chairman, members of the committee, it is my pleasure to present to you for your consideration the estimates of the Ministry of Energy for the current fiscal year.

Be assured that it is a pleasure because, as you well know, I joined the ministry only in recent months, yet already I am quite enthusiastic about its mandate and the obvious commitment which members of the staff of the ministry have to its programs and its work.

I want to take this opportunity in this public forum to thank Deputy Minister Malcolm Rowan and all who work in and for the ministry for their accomplishments and for their loyalty.

I am enthused about the plans the ministry has developed for the near- and the long-term energy future. I am very optimistic about the kinds of programs—especially in the conservation and renewable energy fields—which I basically outlined in our policy paper, Energy Security for the Eighties.

I firmly believe the program now being developed to achieve the goals set out in that paper will, if carried out effectively, help alleviate our dependency on those conventional energy resources which we in Ontario must purchase to such a large extent from outside our borders. I hardly need to remind anyone in this room that with every passing price increase for crude oil these purchases become more and more of a burden on our provincial economy and our taxpayers. The alternatives appear quite promising.

May I touch on a few matters rather briefly today, because I know you will no doubt

have many comments and questions about them in the hours allocated for our estimates consideration? You have been given a substantial amount of detailed material about the ministry programs and the spending estimates.

May I focus on just a few items, both to clear up some important misconceptions and, more importantly, to deal in a detailed way with the philosophy, achievements and initiatives of the ministry's conservation and renewable energy programs?

Probably the best place for me to begin my outline is with the issues of energy pricing and security, largely because these matters are really quite central to our concerns in the energy field today.

The only matter affecting electricity I would like to make special comment about involves the question of the extent of our electricity supplies in Ontario and the issue of whether electricity can be considered a substitute for crude oil.

In general, it's true there are many types of petroleum applications which today—and I underline, of course, today—don't seem to lend themselves readily to electrical substitution. But I think it is equally unfair to comment that there is little or no possibility for quite a substantial substitution of electricity for petroleum, perhaps even in the very near future, as circumstances change rapidly on the global energy scene.

What I am referring to is the possibility of the electric car substituting for the conventional petroleum vehicle. If we are to believe General Motors, such substitution might account for 10 per cent of our automobile sales by 1990. Who knows how quickly the electrification of rail lines might take place, given potential supply problems and rapid price increases in petroleum fuels? The energy picture is changing so rapidly that, while only a year ago the ministry didn't consider these as highly likely within 10 years, today we might want to reconsider our thinking.

In addition to these kinds of substitutions, it's interesting to see recently published figures which would suggest in several provinces today electrical heating in well-insulated houses and buildings is cost competitive with oil heating. Even in our province there are some places where the cost of oil-fired space heating and water heating is equivalent or near equivalent to electrical heating, and there are informed predictions that this gap will narrow.

If there are more interruptions in crude oil supply at the world level and our domestic supplies are unable to meet the demand,

who is to say what level of substitution for petroleum might take place in the province? As spokesmen for the ministry have been saying for some time, it gives us a feeling of confidence and security in a province which is otherwise vulnerable for its energy supplies, to not only have an abundance of electricity if it's required on short notice, but also to have that electricity available at rates which are competitive with the lowest offered virtually anywhere in the world.

I want to make this point because I fear that sometimes we become so caught up in the minute planning details of Ontario Hydro's temporary surplus of electricity.

[10:15]

It was in connection with energy pricing and security concerns that the ministry launched or participated in the release of four important documents on these topics in recent months:

1. The Ontario Energy Review, which was published in July and contains the ministry's collected data and thoughts on the total energy scene in the province. This was not a policy document and it deals with energy in a general and descriptive way, but I have included it because, while it is a descriptive paper, it provides an overview for proper appreciation of Ontario's strategic position in light of oil pricing and security considerations.

2. The Premier's paper outlining the government's position on energy pricing and security which was released as a policy framework on August 14, 1979.

3. The ministry policy paper, Energy Security for the Eighties: A Policy For Ontario, which I released October 1 to outline our policy goals over the next 15 years.

4. A background paper, Pricing And Crude Oil Self-Sufficiency, which outlines the rationale behind Ontario's proposals for the first ministers' conference on energy, held November 12 in Ottawa.

The Premier has made Ontario's position on the pricing of crude oil abundantly clear. I will not reiterate it in detail here. But on the question of energy security, may I take a minute to quickly highlight the government's position, because I think it's important for that part of my statement which will follow?

The energy security paper, as well as setting Ontario's policy position as a further contribution to the national debate on crude oil pricing and supply, also sets very specific targets for this province in achieving increased energy self-sufficiency. These targets comprise two elements: Conservation, especially the conserving of petroleum products;

and, the development of indigenous energy sources to substitute for primary energy that we must purchase from other jurisdictions.

I know I need hardly repeat for this committee's benefit how important these targets are. This paper has established a target to reduce the growth in total energy consumption in Ontario to two per cent within five years, and by the same deadline, 1985, to reach a level of no additional per capita growth in the use of crude oil.

Home heating is one important area where we can substitute for petroleum products. In this regard, conversion from oil to natural gas in the residential market during the past 12 months has been substantial.

Perhaps this would be the point at which I might provide the members of the standing general government committee with a status report on the substantial program now under way to convert homes from oil heating to natural gas. As members will know, public interest in converting to natural gas has increased significantly in the past few months as a result of growing uncertainty over supplies of home heating oil, increasing crude oil prices and the fact that supplies of natural gas are more secure.

Because of the unprecedented demand for the conversion of fuel oil furnaces to the burning of natural gas, we have met with the major Ontario natural gas utilities to review with them not only the progress of their conversion programs to date, but also their plans for next year.

In total, the three major natural gas utilities have converted 19,650 homes to natural gas during the year ending September, 1979. This is compared to 8,600 for the previous year, an increase of 128.4 per cent. Moreover, they forecast 26,500 conversions for next year. In a religious context that would be very significant; 26,500 conversions to natural gas will be made. The heaviest demand for conversion is in Ottawa, Toronto and in Hamilton. To put these conversions into perspective, the three utilities have, as of September 30 this year, a total of 1,026,000 residential customers. It is estimated that some 680,000 residences in their franchise areas are still heated by oil or electricity.

Not all of these home owners are likely to want to convert, however. Clearly, there is a big job still to be done. I must say, though, that while there are some problems in meeting consumer demands, I have been impressed with the way the utilities have substantially increased their capability to convert so many homes from oil to natural gas.

Although one would like to see even more home owners converted than in fact is happening, there are a number of practical difficulties outside the control of the utilities that make this difficult. For example, the enormous demand for conversions, not only in Ontario but in other provinces and in the northern states to the south of us, has resulted in the manufacturers of furnace conversion kits being unable to meet this increased demand. As a result, unfortunately, I am told some home owners now seeking to convert may have to wait until the spring and summer of 1980.

From a supply point of view this should not be a problem since, based on information which we have received from the National Energy Board, the federal Department of Energy, Mines and Resources and the petroleum companies, I don't expect Ontario will suffer from fuel oil shortages this winter.

During this period, however, the utilities are training additional qualified personnel to install the conversion kits when those become available. I might add that utilities not only use their own employees for these conversions, but also engage private contractors. In fact, the majority of the conversions are currently being done by private contractors.

I have been assured that the utilities are continuing to work to a schedule of maximum conversion through 1979 and are planning and marshalling their resources to significantly expand their conversion program throughout 1980.

In addition to this very substantial conversion program, the three utilities have recently extended their service to seven additional communities in Ontario and have added another 28,900 new customers in the year ending September, 1979, as a result of installing natural gas furnaces in new homes. Natural gas is presently capturing about 70 per cent of the new home market.

It is important that statements made by government and news reports which encourage home owners to convert be tempered in the light of the physical limitations which are expected to continue until the spring of next year. It would be unfortunate and irresponsible to raise public expectations unrealistically.

May I just take a minute to comment on natural gas pricing and the natural gas incentive program at this particular point? As members know, Ontario rejects the principle that the price of natural gas should be indexed to the price of crude oil. Currently, natural gas is priced at 85 per cent of the equivalent heat value of crude oil. There

are many differences between natural gas and crude oil which would suggest that the market could find the proper level for gas prices considering availability, demand and security of supplies.

Whether natural gas will be uncoupled from crude oil will depend on the negotiations now under way between the government of Canada and the producing provinces. In the meantime, members will recall that last December the government of Alberta announced it was prepared to consider a program which would assist in making natural gas available to more people in Canada. Discussions have continued with Alberta on a regular basis since that time, even though it's our policy to press for lower natural gas prices for all consumers.

The basis of the Alberta proposal is that natural gas would continue to be indexed to the price of crude oil, but rebates would be provided to gas distributors in Ontario and to those in other provinces based on new natural gas sales resulting from new customers attached by conversion or by the extension of gas service to areas not currently supplied.

The rebate, as envisaged by Alberta, would not be used to reduce the price of gas to either new or existing customers. It would be used by the distributors to extend distribution facilities within their franchised areas and to extend transmission mains and distribution facilities to areas which are now dependent on fuel oil and electricity for their heating.

Members will also recall the federal government announced at the recent first ministers' conference on energy that additional volumes of natural gas should be priced at 65 per cent of the equivalent heat value of crude oil, rather than 85 per cent. No decision has yet been reached on this matter, and discussions are continuing between the government of Canada and the government of Alberta.

In the meantime, I can assure the member that Ontario's natural gas distributors are making every effort to meet the demand for conversion from oil to natural gas as part of this province's goal to achieve zero per capita growth in the demand for petroleum by 1985 without sacrificing economic growth.

We think it is of fundamental importance to encourage major investment to increase energy efficiency, rather than only attempting to increase our available supplies. This has to be a prudent course for both Canada and Ontario to follow. It was our finding, after very careful deliberations over the targets set out in this paper, that renewable and re-

coverable energy projects within Ontario—if developed to their potential over the next 15 years—could reduce Ontario's conventional energy requirements by the equivalent of 50 million barrels of oil a year. I know you would agree this would be an important achievement, and I have been gratified to note the support these targets attracted.

I would like to add, at this point, that the government's approach to conservation and renewable energy programs has been two-fold: On the one hand, the government invests directly in projects that have the potential to demonstrate, in our view, important new energy concepts; and on the other, the government provides financial incentives to both individuals and companies to encourage conservation and renewable energy investments.

As part of the first approach, the government, through the ministry, has channelled substantial resources into publicly owned buildings in order to provide the greatest benefit to the community at large. When conservation and renewable energy projects are conducted in public buildings, a wide variety of applications can be tested and monitored and everyone in the community can benefit and learn from those results.

In particular, the building industry has benefited along with the renewable energy equipment manufacturing industry because those involved can take advantage of any expertise gained and apply it to future projects. For example, when the federal government awarded funds under PASSEM—Program to Aid Solar Systems Equipment Manufacturers—eight of the 10 winners or recipients were Ontario solar energy firms. This was in part because of the expertise they had gained on our demonstration projects.

The Ontario government's support, however, does not come only through the funding of demonstration projects. As part of its second approach— incentives for private sector investment—the government has made fairly generous tax concessions on conservation and renewable energy materials and equipment in recent years.

Let me give you some examples. The following items are exempt from provincial retail sales tax: solar furnaces; solar panels and tubes that are especially designed for collecting and converting solar energy into heat for use in solar heating systems; and so the list goes on. This list is part of the Minister of Revenue statement in that regard.

In the four years during which these and some other conservation exemptions have been available, it is estimated that \$58 million in forgone sales tax has been left with consumers. The amount has been increasing substantially year by year as the exemptions have broadened. In 1976-77, the first year of energy conservation exemptions the total lost sales tax revenue was \$2 million. Since that time, however, it has grown to \$8 million in 1977-78, \$23 million in 1978-79, and an estimated \$25 million for the current fiscal year.

[10:30]

Other kinds of incentives are also available. For example, electric or steam generating equipment which uses energy from waste or is particularly efficient, receives a special 50 per cent capital cost allowance. In addition, substantial funds are available through the small business development corporations and the Ministry of Industry and Tourism to help establish small businesses which manufacture energy-related goods.

I should also mention the very substantial subsidies, almost \$900 million, provided to public transit systems in this province from fiscal 1971-72 to fiscal 1979-80. The level of funding has now reached over \$200 million per year.

I would like to turn now to discuss in more detail energy conservation and renewable energy, both in the context of this year's programs and as a vital part in our overall energy outlook.

No one can really overemphasize how important these programs are for our province, which has relatively few conventional energy resources of its own. Conservation is the least expensive way of extending available supply to meet demand; renewable energy holds the potential for supplying, from within Ontario, a greater share of our energy needs, thus providing another means of alleviating our need to purchase elsewhere.

This fiscal year, you will note, \$9.8 million has been allocated to the Ministry of Energy. An estimated \$7.2 million will be spent in the area of energy conservation, and in the renewable field, spending is estimated at \$2.6 million this year.

As a general observation, these increased expenditures illustrate the importance these programs hold for the government, in view of the fact that, at a time of fiscal restraint, they have grown substantially both in manpower and dollar allocation, since their inception only three years ago.

We really should place this allocation in context. For the province to plan on invest-

ing anything like \$10 million on conservation and renewable energy programs even five years ago might well have seemed extravagant to some—but in today's energy terms maybe it doesn't sound like enough. Whatever our views, surely we would agree that we must be careful to spend the taxpayers' dollars wisely; that we build our programs rationally and purposefully; and that we assume our share—along with the private sector—of the risk-taking ventures which can later lead to commercial development by private entrepreneurs.

Currently, the government is conducting some 250 projects in the energy conservation and renewable energy area. They involve, of course, and we will be making this point during our estimates, not just the Ministry of Energy but a total of 14 ministries within the government, with co-ordination by the Ministry of Energy. In addition, many ministries and Ontario Hydro are conducting a variety of projects with their own resources.

Let's take a few minutes to examine how the ministry's funds are allocated.

In the case of energy conservation, the largest share has gone to the commercial sector—71.1 per cent of our total spending, and of that figure 60.9 per cent went towards installation of conservation measures in buildings operated by the government itself. The residential sector accounted for 7.8 per cent of the funds, urban development and planning 7.2 per cent, transportation 6.6 per cent and communications, largely in support of these programs, accounted for six per cent. The remaining 1.3 per cent has been allocated to the study of fiscal and legal measures, and to research and development activities.

Some might suggest that 7.8 per cent is a fairly low figure for the residential sector, but I think its relative position reflects the generous funding already available to home owners through the federal government's Canadian Home Insulation Program, a program which the Ontario government played a significant role in bringing about. Most of our other residential funds were allocated to thermography clinics and building code matters.

In the area of renewable energy, the distribution is more evenly split. The industrial sector accounts for 3 per cent, the residential sector 22.5 per cent, program planning 23.8 per cent, and the commercial sector 13.5 per cent. The balance is distributed between communication support at 4.8 per cent and research and development, 4.4 per cent.

In terms of renewable energy projects by source: solar accounts for 53.2 per cent of the budget; energy from waste, 37.5 per cent; wind generation, 3.4 per cent; and general renewables—other biomass, et cetera—accounts for 5.9 per cent.

I think what the ministry programs illustrate quite clearly is that energy conservation and renewable energy are not seen by the government as some separate, distinct or departmentalized aspect of the energy picture. Rather, these concepts are so deeply rooted in the government's total approach to energy that they are all-pervasive, affecting virtually every aspect of the Ontario government's approach to its buildings, its vehicles, its programs; in short, its methods of operating.

The range of energy projects extends, from senior citizen homes and hospitals to correctional institutes, colleges and universities, high schools and public schools, as well as public housing projects.

For example, a project might involve a greenhouse study project, such as the one at Kincardine, or a solar hot water heating system, such as the one built at Oakville-Trafalgar Hospital. It might mean a study on the potential of methanol as a fuel substitute in Ontario, such as the one we undertook last year, or it might be the successful van pooling experiment operated by the Ministry of Transportation and Communications, which I now understand is being taken up by Bell Canada.

These few examples are just a handful of projects being undertaken largely within the provincial government's direct areas of responsibility. We're quite pleased with our achievements to date, even though we know there is much more to do. But let's just cite a few figures:

The Ministry of Government Services is responsible, on behalf of the Ministries of Health, Agriculture and Food, Correctional Services, Education, Transportation and Communications, Community and Social Services, Solicitor General and the Ministry of Natural Resources, for 21 million square feet of building space, or the equivalent of about 340 football fields in total floor area.

The energy consumption for this space was equivalent to 1.4 billion kilowatt hours at the time our energy conservation program got under way. With some reporting yet to come, I am advised that a 15 per cent reduction, or 210 million kilowatt hours equivalent, has been achieved from that starting point. This is resulting in savings to taxpayers of more than \$3 million a year.

Similar results are being reported from the school system with its 5,500 schools. Even more impressive figures have been reported by the colleges and universities across the province; not surprisingly, in view of their correspondingly larger buildings and more sophisticated control and ventilation systems. The savings reported by colleges and universities exceed 22 per cent.

For example, at McMaster University, a very distinguished institution, the savings over the last three years have been estimated to total more than \$3 million. And over a recent one-year period alone, three universities, Carleton, York and Western have reported energy savings of more than \$1 million each.

We're also working with municipal and federal government and the private sector to encourage energy saving and conventional energy substitution in virtually every area it seems economical, feasible or prudent.

A case in point might be Canada's first solar heated school, Applewood Public School, not surprisingly located in the city of St. Catharines. A substantial portion was funded and developed in concert with the Ministry of Education and the Ministry of Energy along with that progressive local school board. It might be a project to illustrate to architects and to planners how to design more energy efficient communities, such as the very recently published, Subdivisions and Sun, which has been distributed across the province to stimulate energy efficient thinking and promote energy saving concepts.

In short, I think it would be accurate for me to say during these estimates that we have designed our conservation and renewable energy programs to touch almost every aspect of our way of life in the province today. I believe we have fostered energy conservation and renewable energy thinking in this province to a significant extent, but I would be the first to agree that the task is just beginning.

Can I continue by discussing briefly our involvement with the municipalities of the province?

For municipalities, we have established a program through the Provincial-Municipal Liaison Committee and the Association of Counties and Regions of Ontario which involves booklets, films and seminars that outline, in very specific ways, how a typical municipality might save 10 to 12 per cent of its energy budget and many thousands of taxpayers' dollars. I'm very pleased that more than 200 municipalities have appointed energy co-ordinators responsible for working

with the PMLC steering committee and the Ministry of Energy to seek out and identify energy savings in their communities, and we attach a great deal of import to this program.

Our assistance and commitment to municipal energy conservation really doesn't stop there. Just to cite a few examples: our conservation program for municipalities was supplemented by a number of conservation initiatives in related areas, such as: a comprehensive study of conservation measures which could be implemented in Ontario's more than 900 publicly or municipally owned arenas; a simultaneous study by the Ministry of Culture and Recreation identified energy-conserving standards which could be adopted for any new arenas; the organizing and sponsoring of a seminar on aspects of district heating to make municipal planners and engineers more aware of the potential; the launching and encouragement of an energy conservation program for shopkeepers and merchants in one of Canada's largest malls; a study in conjunction with the Ministry of the Environment to pinpoint potential energy savings in sewage treatment plants; and, continuous review of the building code, in conjunction with the federal government and our own Ministry of Consumer and Commercial Relations, to review such matters as appropriate levels of insulation and other energy saving design features.

I'd be remiss if I didn't mention the ministry's downtown program—operated in conjunction with Ontario Hydro, Toronto Hydro, Building Owners Managers Association of Metropolitan Toronto, and the Association of Heating, Refrigerating and Air Conditioning Engineers—that has established a co-operative approach whereby business and government work together to conserve energy, demonstrate the results in savings and exchange information on energy saving techniques. Seventeen of Toronto's largest building owners and tenants are participating in this project and to date, on the average, the savings achieved represent about 22 per cent, or \$2.5 million, in energy costs.

In the field of renewable energy, which I've intertwined with conservation because many of the projects overlap, the penetration to virtually all sectors is the same.

I would just like to add, in the context of the energy security paper, the great bulk of the increased target of five per cent renewable and recoverable energy by 1995 comes in the field of energy from waste, a resource my ministry will be exploiting to its full potential in the months and years ahead.

There is a great resource for relatively inexpensive energy in our waste products,

whether municipal garbage, industrial by-products, or forest and agricultural wastes. We are already moving quickly into this area on many fronts, in Hearst, Metropolitan Toronto, Bruce county, the region of Niagara, the city of St. Catharines, North Bay, and several other regions. Some areas, such as Hamilton and Woodstock, have already taken significant strides. I would only add it is a direction that will be actively encouraged by the government both with other levels of government and with the private sector as well.

In addition, the concept of cultivating biomass specifically for its energy content holds considerable promise. This is being pursued by the Ministry of Natural Resources at several locations in eastern Ontario to the extent of more than 1,500 acres.

Finally, in the area of conservation and renewable energy, I would point out that the goals as established in our current estimates are those established at the beginning of this fiscal year—namely, implying a two per cent target for renewable energy in Ontario by the year 2000. We have the five per cent target established for 1995 in the more recent publication, Energy Security for the Eighties. This new and obviously more ambitious goal described in that paper will have to be incorporated into the program descriptions for future years.

[10:45]

Besides the direct assistance for renewable energy projects from the Ministry of Energy or other ministries, there is the important role to be played by the Ontario Energy Corporation. You will recall the energy corporation was given a new mandate earlier this year, financed by the profits from the successful sale of the province's investment in the Syncrude project. That expanded mandate included provision for the OEC to broaden its area of investment as well as its project management activity in a number of new energy related projects to cover a very broad spectrum.

Clearly, the corporation will continue to reflect the policy priorities of the ministry. Consequently it is now directing most of its efforts to potential investment opportunities in the renewable, recoverable and conservation fields. At the same time, OEC will be playing a significant role in the development of indigenous energy resources where appropriate. The mandate of the corporation is to assist the government in the implementation of Ontario's energy policy through investment in, or co-ordination of, specific energy projects on a self-sustaining basis.

Factors which the OEC would include before making any investment decision would involve the nature and significance of the broader public benefits, whether energy, economic or other benefits, normal commercial considerations, such as risks or profitability, and the role which the corporation would play by its participation.

In general, the corporation's role will be, on occasion, to become involved in projects that perhaps have a lower return on investment or a higher degree of risk than those projects which would normally attract the private sector. Its role might well involve promotional or leadership skills—such as the involvement in the Bruce agripark project—and quite a small investment. In other areas there might be OEC investment related to public benefit because of the high risk.

To be more specific, let me cite a few examples of corporation projects now under way or under active investigation: commercial development of nuclear waste heat to promote the rearing of fish or heating of greenhouses such as the agripark project, under joint sponsorship with the private sector in the Bruce nuclear power complex vicinity; establishment and financing of a renewable energy development organization as set out in the Energy Security for the Eighties paper to encourage commercial development of renewable energy projects; potential investment in selected energy from waste projects such as the Hearst wood waste development for the Commissioners Street incinerator waste heat project in Toronto; financing of a public transit information system to encourage a switch from private automobiles to public transit; promotion of industrial cogeneration on a larger scale; and participation in joint venture exploration programs in Ontario and elsewhere for new supplies of fossil fuels.

All these projects will be expected to provide a reasonable return on investment for the corporation in order to enable it to maintain a self-financing operation. I believe the OEC, operating as a sound, businesslike vehicle in co-operation with the private sector, can play an effective role in helping us achieve the ambitious energy goals we have set for ourselves.

In conclusion, it took a little longer than a quick outline of the philosophy, approach and conservation and renewable energy programs which my ministry has undertaken in its steps to make its contribution to securing Ontario's energy future. As I said earlier, I know it is just the beginning, but I think it is quite an impressive and substantial beginning. I look forward to discussing with the members of this committee these programs

and other concerns and subject matters which I know will be brought up during the course of the consideration of these estimates.

**Mr. J. Reed:** Mr. Chairman, I would like to begin by commenting in perhaps an unusual way about the statements that have been made about co-operation with the private sector, about the involvement of all the other ministries in energy conservation and so on, by issuing a challenge to the Minister of Energy. He is peripherally familiar with this subject and we have discussed it before, but I think I am going to move a little further into it, simply because of events that have taken place in the last few days.

In the town of Thornbury there is a small hydraulic power plant which was partially destroyed by the Ministry of Natural Resources last summer for the purpose of allowing access to construct a fishway. The minister understands the town of Thornbury owns the equipment and the Ministry of Natural Resources has purchased the land, the buildings, water rights and the civil works.

The minister also understands there is a private company interested in bidding on tender for the equipment there and would like to leave it in place and reactivate the power. Recently, the Ministry of Natural Resources has taken yet another step to try to force the hand of the town of Thornbury to get rid of the penstock, which is the most valuable single item connected with that equipment.

I would ask the Minister of Energy to answer many of the claims that have been made in this paper today about the direction he wants to go in the future by, first of all, before Friday of this week, seeing to it the Ministry of Natural Resources does not proceed any further with the destruction of this plant; secondly, upon completion of satisfactory sales of equipment, arranging to reopen the thimble in the civil works which was cemented in this summer in much haste by the Ministry of Natural Resources; and simply providing an open mechanism to allow for the reactivation of this power.

I use this very small, insignificant, simple example to call the bluff of the Ministry of Energy. Are you serious about renewable development? Are you serious about your relationship with the private sector? Are you serious about encouraging entrepreneurship? Are you serious about conservation? Are you serious about renewable energy development? Is this a change? Is this a light that has shone on the road to Damascus after four years of some of us in opposition in this House badgering your predecessors?

Are you now saying to us for the first time, "Yes, we believe some of the things you said have some validity and we are prepared to pursue them"? I therefore issue this challenge to you to act in the most simple way with a very small, relatively insignificant in a broad scale, example of what should be the beginning of a new partnership between government and private initiative in the future production of renewable energy in the province of Ontario. There you are, Mr. Minister. I want to see you perform.

The other challenge I want to issue to you is in connection with the very encouraging statements that have been made about the utilization of garbage and the production of liquid fuel alternatives. I have a private investor who is interested in Metro's garbage. We have been frustrated over the last few years, trying very hard to convince the various ministries the time has come to take initiative to solve a multitude of problems in one thrust; where the Ministry of the Environment is concerned with garbage, the utilization and how to look after the environmental impact of garbage; where the Minister of Energy should have been concerned, and hopefully is now for the first time, about the energy future of this province, and the expression of interest in involving the private sector.

We have an industry that is potentially interested in the utilization of this material and would really like to know how to get over the institutional barriers, the prejudices, the hurdles that are necessary in order to make the conversion of garbage into liquid fuel and building materials a reality in the province. I issue that challenge to you too. Will you meet with organizations like this as an example of what can be done?

Let's lay the groundwork, because I know and you know and all of us here understand that many of these new thrusts will require new relationships between government and the private sector, relationships we haven't had before and that we are not familiar with. We will no longer be able to say it can't be done. We are going to have to make it happen. We can't ride on the past any longer. We have got to step out into new areas, areas where we may find ourselves very much alone, but at least with some single vision of where we are headed and what kinds of goals we have to achieve, because we have arrived today, this morning particularly, at the precipice.

On October 12, the leader of the New Democratic Party (Mr. Cassidy) and I, in a supplementary, expressed our concerns about

petroleum availability this year in Ontario. The stock answer given was that the supply was tight but manageable. It is a nice little phrase, "tight but manageable." I think you will recall me haranguing the government at that time and asking if you realized that one interruption in supply, either a political upheaval in the Middle East or a mechanical breakdown in a refinery, one interruption in a supply mechanism can jeopardize Ontario this winter. We know it will be worse next winter because the lines right here in your own report, Ontario Energy Review, show it. There is the gap. We know the lines will be greater.

Even this winter we know or suspect that one political upheaval could force us into a difficulty. That political upheaval has happened. It has compounded itself as of last night. We were sitting on a Hydro select committee and read the news bulletin about what is now happening in other areas of the Middle East. Now we have the upheaval in Pakistan, and so on. We are here. We have arrived at the precipice.

For four years some of us have been urging this government to recognize the direction Ontario had to go. For four years some of us have been trying to point out, with all the resources we could, which are limited admittedly, that Ontario is probably the most vulnerable area energy-wise in all of Canada. Four years ago that concept was totally pooh-poohed. If you go back and read the Hansard of early conversations with the then minister, Mr. Timbrell, on his priorities about renewable energy and conservation, you will find out that as recently as four years ago this government was not even paying lip service to conservation and renewable energy development.

I guess I have that off my chest, but I had to say it. We are here and we are now all in it together. The myth that there can be massive interfuel substitution has got to be laid to rest. Otherwise the people of Ontario are being badly misled. Let me show you some of the examples. We discussed them last night in committee.

What about the interfuel substitution for rail, the Montreal-Toronto connection? A study I am sure your ministry has somewhere will show that the total demand for electric power will be 200 megawatts. It is a very commendable objective, a very commendable goal, but let me assure you the concept that we have massive surpluses of electric power and those massive surpluses will somehow save us looks pretty paltry when you look at the reality.

[11:00]

A conversion of GO Transit to electric power would probably take about 100 megawatts. In each case, incidentally, if we did not have the surplus we would be able, through the time line involved, to construct that capacity as we went.

If we had—and my friend across the table talked about 1,500 megawatts of demand for automobiles—1,500 megawatts, that is a long way from 4,000 now and it is even longer from the 6,000 projected by 1983.

**Hon. Mr. Welch:** Are you suggesting that we don't do any of these things because it—

**Mr. J. Reed:** Oh, no. I am not only in agreement, I wish you had started years ago. But I have to tell you—

**Hon. Mr. Welch:** What does that mean? Other than the criticism of not starting sooner, is it that we don't use enough?

**Mr. J. Reed:** The criticism is that you are taking electric power and setting it up as the saviour of Ontario. I am showing you how small the actual substitution will be. I am trying to point that out. If I may finish, I will just go on.

If we expect 1,500 megawatts of demand for the automobile, let's recognize that most of that demand should actually increase the efficiency of that electric power system, not add to the actual total peak simply because most cars are still run at night during off-peak hours. I say that because there has recently been some very heavy emphasis put on interfuel substitution. I know the Premier believes this. He believes electric power will save us somehow.

Sure, there can be interfuel substitution. Sure, it can go to a certain extent. But you know and I know, and anybody who stops and thinks about it knows, there are limitations to that substitution from an economic point of view, from a technological point of view, and if you want to be interested in conservation a little bit, from a thermodynamic point of view. That is a whole area the government has never tackled.

I want to talk about the examples here. I just forgot which page that was on when I was going through it. There is one more myth I have to talk about, too. On page four, you talk about electrical heating. It is well worded. I have to give credit to the people who did the writing. "Electrical heating in well-insulated houses and buildings is cost competitive with oil heating."

What is not said, of course, is that electrical heating in well-insulated houses compared with oil heating in well-insulated houses is not cost competitive, and there is no way you can draw any kind of equation.

Let's set up the rules of the game even-steven and let's not start throwing our biases around too badly, because the problem is, I understand the gaps, and you are learning the gaps and more credit to you, but it is very misleading to the people of Ontario to have them believe this is somehow reality.

There was another dandy in here somewhere, and I want to quote this: "I think what the ministry programs illustrate quite clearly is that energy conservation and renewable energy are not seen by the government as some separate, distinct or departmentalized aspect of the energy picture. Rather, these concepts are so deeply rooted in the government's total approach to energy that they are all-pervasive, affecting virtually every aspect of the Ontario government's approach to its buildings, its vehicles, its programs; in short, its methods of operating."

Just turn around, Mr. Minister. How many storm windows are on this room?

**Mr. Ashe:** It could cost the price of a building to put storm windows on here.

**Mr. J. Reed:** How many storm windows are on Queen's Park? How about "all-pervasive, affecting every aspect of the government's approach"? You don't even have storm windows on Queen's Park. What kind of example is that to the people of Ontario, or to conservation?

I suppose I could go into all of the things and outline the high-profile things the provincial government could do by example. You really have to get started. These words are really hollow until something happens. As long as your automobiles continue to be gas guzzlers, as long as you don't have storm windows on Queen's Park, or some energy conservation program that people can come and see, the words are hollow; they are meaningless.

So many people say to me: "Why should we save energy? You tell us to conserve. Why should we save? You guys aren't doing anything down there yourself." So many times in this building the radiators are going full bore and we have the windows open. It is quite incredible. I won't dwell on that.

One of the other very interesting things was the list of the items you published that are exempt from provincial retail sales tax. For four years I have been trying to get stove pipes on that list and I still don't see them there. It is very difficult to run a stove without a stove pipe, and I always marvel at the kind of thinking that goes into some of what are obviously sort of ad hoc attacks on the conservation incentive program.

I will mention nuclear power in more detail in a later vote, but I want to talk a

little bit about the future of nuclear power. Nuclear power has become a very important part of the economic structure of Ontario, for better or for worse, whichever side you happen to be on; whether you are pro or anti nuclear. It has become a part of the electric power surplus that exists in the province at present.

I want to suggest to the minister that the concepts we have had, the economic concepts we have had in the past about nuclear power and about the economics of nuclear power, are beginning to fade. I am not going to get into the debate about pro or anti nuclear. I want to get into the economics of nuclear power. This ties in with the attitude towards interfuel substitution too, because even now some of the more so-called esoteric forms of energy options are beginning to show that in the very near future they will be competitive with electric power produced by nuclear energy.

When we stop and think of the capital cost that is going in to build Darlington, or the capital cost that might be demanded, the horrendous capital cost that might be demanded for a future nuclear plant, surely to goodness some of the other options begin to show the light of day, just in the light of this incredible drain on capital. I would suggest to the minister that when he is considering the nuclear future and trying to put it in its perspective, he looks at the options as well.

When it had its beginnings, nuclear power was going to be the electric power saviour; it was going to be the very cheapest form of energy. Ontario Hydro made some very profound commitments based on that assumption; but the assumption has not borne out over time. Certainly there are other options, not necessarily for the production of electric power. But when you relate that to interfuel substitution, when you relate that to the responsibility of nuclear-produced electric power, for instance, providing low-grade heat in a home, one has to look down the road just a very few years to see that increases in electric power costs are going to dictate that other options are more viable.

This is one of the reasons why we have taken the position that for the immediate future—the near future—the promotion of a natural gas infrastructure, or an enlarged infrastructure, is really probably the most practical way to go at the present time. From an energy conservation point of view it is practical, from efficiency of utilization of the resource it is practical; and we think if you want to tackle the business of home heat one of the places to spend your time is on the

smoothing out of the problems and the hurdles to get natural gas more widely distributed. I was going to mention a few of those, too.

One of the mechanical problems is that each gas company in Ontario has a monopoly over a given area. There are difficulties at the present time regarding certain people who live on the borders of those areas. The natural gas infrastructure by one company may come to a borderline on one side, but it doesn't come to the border from the other company on the other side. Consequently, the guy who is just over the line, who may be a large potential customer of natural gas, is left in the middle.

I have been doing my best with your ex-colleague, the new president of Union Gas, in order to try to have the companies themselves make arrangements to see that this can happen; but I assure you it is a problem and it is something that really should be addressed.

I must say I was quite encouraged by the statement you made about getting some incentive to allow for the running of lines into areas of Ontario not serviced by natural gas. I want to bring to your attention that area of western Ontario, in the Wingham area and out in Huron county and so on.

Oh! the member is here, and he can handle the job much better than I can. Mr. Chairman, I didn't know he was here. I have to tell you that anything the ministry can do now, in terms of seeing that those lines are run as soon as possible, is in the best interests of Ontario—where it is feasible and practical.

I was going to talk about electric power pricing too, but I am going to save that for the Hydro portion at the end of these estimates. Electric power pricing is of very deep concern to people in Ontario. We have presented ideas to this ministry for years about changes in electric power pricing which would effectively not only help a thrust towards conservation, but also would provide a relief for the person who is on a lower income and who is using less energy. Those are the people who pay the highest rate at the present time, in terms of consumption.

I realize Ontario Hydro has taken a position that it is not in the business of providing social largess, but I think here is a place where government should be involved in determining just how pricing, especially to domestic consumers in this case, is laid down, and I would urge the minister to look at this. We will get into that more deeply further on in the estimates.

I have one area which I am impressed with, and that is the rhetoric in this rather extensive document which places more emphasis on conservation and renewable energy development, at least in words. The reason I began by issuing the challenge this morning was that we are here, on the brink: we don't want the words any more, we have to have the deed, we have to be moving. I really don't think it is prudent for us to wait another 60 days or another 90 days, until there may be more shortfalls or until our reserves of petroleum are depleted, and then to sit and wring our hands and say, "What will we do?"

I don't think it's very good to have to stand up in the House and say, "I told you so." We've been telling you so for four years. Get on with the job; if you do, you'll get our support.

**Ms. Gigantes:** Thank you, Mr. Chairman. I have a cold so I will bring the microphone closer so I'll be heard.

I welcome the opportunity to join in this discussion. I'm sorry we're going to have so little time—only three days—because this is obviously one of the most important policy areas for which the government should be taking responsibility in Ontario these days.

I would like, at the start, to welcome this minister to his first set of estimates in the energy field. I hope the kind of political expertise he has demonstrated, certainly in the time I have been in the Legislature, will be applied earnestly to this field, because the need is very great.

We have now been through the fifth energy minister in four years. As I said before in the Legislature, I think that the number of ministers we have had in this policy field over four years in Ontario is an indication of the fact that the government of Ontario has not taken hold of energy as a policy field. I must also say, without impugning the individuals who have held the post, that, aside from the first one I don't think any one of them grasped the lack of government policy in this field and how significant it was going to be for us in the year 1979-80.

There are still the same problems set out in your statement today as we have seen outlined in the past. As my Liberal colleague, Mr. Reed, has said, we have heard from other ministers about all the glories of the projects being undertaken within the energy policy field in Ontario, but we have seen mighty little in terms of results. I think the reason for the failure to produce results stems from an attitudinal problem on the part of this government. I hope you will be able to overcome that with your enormous political

skill. I think you may well be able to apply it fruitfully to this area.

I would like to suggest, first of all, that the government still seems to be taking the position that for us to have an Ontario energy policy the federal government must give us one; that the federal government, in conjunction with the conventional energy industries of this country, must provide the basic framework for an Ontario energy policy. I believe that to be a wrongheaded attitude. I don't think it's going to serve this province, and I don't think it's going to enable us to meet our energy needs.

I noted in the briefing documents that two policy documents of some importance, a renewable energy policy and a strategy for energy-from-waste document, were due to have been provided by this ministry by now. They're not available as yet. I understand they've been broken into pieces; the renewable energy document was put into what is now called the Ontario energy review and the waste strategy policy is apparently at cabinet committee. We obviously haven't progressed very far when these areas of policy development, which have been touted to us as major areas of government policy development for four years, still are not covered in any working documents that set out government policy.

Further, there is no real policy outlined in the statement you have given us. It is, once again, a reiteration, in poetic terms, of those areas where the government has touched base enough that you can say, "We have such and such a program going, we have this conservation leadership role staked out for the ministry, we have this renewable energy project going in Thorold or in Kapuskasing."

It doesn't add up to a strategy. It's a piece-meal program, so far, that doesn't have a policy behind it, or a policy document attached to it, or a target goal set in specific terms for that policy. It has just enough practical implementation of piece-meal projects that a minister can sit before us once again in this committee and outline various areas which are touched on by the activities of the Ministry of Energy or other ministries guided—encouraged? I don't know what you'd call it—by the Ministry of Energy.

First of all, I think there has to be a basic change in attitude within the ministry, perhaps not so much within the ministry as within the government. I don't think there's been a recognition yet from the government that federal policy, and the policy of the conventional energy industry, is not going to provide the framework for an Ontario energy policy.

Flowing from that is another problem, perhaps a parallel problem. There is still, in all the documents available to us from your ministry updated to today, a total emphasis on looking after supply of energy and measuring the energy needs only in primary terms. That has to be switched around if we are going to be able to tackle our energy problems in Ontario. You can't sit there and draw lines about projected supplies of oil and projected supplies of natural gas. You can't sit and draw lines of projected primary energy demand in the electric field. Those things don't make sense. They haven't contributed to an understanding of what we've been doing over the last four years, and they're not going to contribute to an understanding in the future.

We have to set, as a goal in Ontario, an understanding of what the demand needs are, how those demand needs can and will be changed over the next few years and what useful role government can play in discovering what the demand needs are currently, identifying them clearly and looking, sector by sector, at how those demand needs can be met; what programs government can undertake to reduce demand, what will have the biggest effect most quickly on reducing demand for energy and how government can help promote the substitution of new sources of energy to meet well identified and well curbed demand.

That's the real role for the Ontario government, and it's a role that we can no longer afford to avoid. I hope you will start questioning every graph and every set of figures that comes before you and ask, "Are we talking here about supply of primary energy, because I don't want to hear about that?" I hope you'll start asking that; and I hope you will look to people in other ministries to give you the backup that you need, in economic terms, to be able to argue with your cabinet colleagues about switching the emphasis in energy policy in Ontario.

A third problem I see still existing, and one that must be grappled with, is that we don't have basic information about supplies of petroleum-based fuels available to Ontario. We need that basic information made public. We need public discussion on its significance, with the Ontario public able to look at those figures, understand them and their significance, so it may begin to join with the government and accept its leadership as a result of the availability of basic information about the need to transform our energy system in Ontario.

I think you are going to have to recognize, Mr. Minister, through you Mr. Chairman,

that the Ontario public is ready and willing to take initiatives in the energy field. I am convinced of that, as I think you are and I think Mr. Reed is, but first of all the Ontario public has to feel it is getting straight information.

As you will recollect, over the last two weeks we have a promise, and I thank staff of your ministry for having co-operated with me in attempting to get information from the National Energy Board concerning the supplies of conventional petroleum-based fuels in Ontario, the inventories and the projected forecasts of demand in Ontario for the next few months. The concession that was wrung out of them hasn't been met yet. I haven't seen the information.

Second, all they promised at the National Energy Board was that they would provide for public consideration in Ontario information on supplies, inventories and forecasts east and west of the Manitoba-Ontario border. As you are well aware, that is simply not enough information for the public of Ontario and informed elected representatives to be able to use in a positive manner to look to developing the alternatives we must have.

We have to have that information as a base, but I am going to stress again that it should not be the base for our policy, it must be, really, the base for knowing what we are going to be facing in the short run, it cannot be a long-term policy base. It must be available in order to be able to have an informed public discussion which can give your government, or any Ontario government, the ability to provide leadership to a public which feels it is being treated like an adult group instead of being told that the NEB knows that supplies will be adequate—tight and fragile, but manageable. It's like being told to believe in Santa Claus. It is not a very adequate attitude on which to proceed to a government policy five years after we first ran into our energy shocks in this country.

A fourth area where I would call on you to change the basic attitude in the development of government energy strategy is in the area of information, and the lack of public information, on supplies of conventional petroleum-based fuels, which I believe to be important. Essentially, what we have been getting in the area of dealing with demand and developing alternative supplies of energy is nothing but information. We haven't had good figures from your ministry up to now on the benefits that have been achieved, even under those minimal projects the government has encouraged.

For example, I point out to you that in your briefing book, presented to us for these estimates, there is a cost estimate on insulation programs which have been encouraged or undertaken by the ministry. Those cost estimates do not give us the year-by-year accounting of the savings in fuels.

I believe that to be wrong-headed. I believe it to be a way of looking at our potential for alternative energy policy which deliberately underestimates the benefits of those alternatives. I will draw your attention to those figures as we go through the estimates.

[11:30]

I would say a final word, because I don't intend to be long here; I think we should get into the estimates themselves on the question of electricity. Much of what I would like to say has been touched on by Julian Reed.

Electricity has been the area in which the government has had policy. It is the one area of energy strategy where the government has had policy, but that policy is inadequate. It is not only Julian Reed or Evelyn Gigantes or the opposition in the Legislature who will tell you that, Mr. Minister. The press knows it and the public knows it in Ontario; it is something that you are going to have to tackle with a real will.

Again, the difficulties with our electricity policy are difficulties that parallel the difficulties we encounter in the other sectors of the energy policy field: there has been no identification of the need for electricity. You, as a minister, really ought by now—it hasn't been long but it should have been long enough—you ought to know that you don't come before a committee of this Legislature and talk to us vaguely about the substitution of electricity for oil. You cannot do that any more. Even the public doesn't believe that any more. The public has been proving it with its increasing reluctance to purchase electricity and the whole financial structure of that public corporation called Ontario Hydro is in grave trouble. It is something to which you must put your mind, and quickly.

You refer passingly to the cost of electricity; in most superficial terms, as Mr. Reed pointed out. It should be clear to you now that it is not adequate to come to this Legislature, or indeed to address any public forum concerning the cost of electricity and tell people that it is a substitute for oil; it ain't. The only reason people would substitute electricity for oil if there was no heating oil, that is the only reason. That is why we asked about heating oil, that is why we are con-

cerned about heating oil, that is why we need the information.

You talked about our temporary surplus. That is not a temporary surplus, that is a permanent surplus. It is a surplus now designed, on current plans, to be an increasing surplus. That is something you must understand: it is not temporary and you cannot say that any more; it is not permissible to say that any more, it is not rational to say that any more and it is not acceptable.

If there is one area above all else that I think has demonstrated the ineffectiveness of this government to come to grips with the problems which have been created within the electric energy field in Ontario by the past policy of this government and of Ontario Hydro, it is the fact that the government has not forced Ontario Hydro to come to grips with a change in the rate structure. The problems we face on the rate structure for Ontario Hydro are very much mired in the problems we are going to be facing or we are facing now in the rate structure for gas. It is something we will want to examine with you. We have a rate structure that is inequitable, it does not promote conservation and it is based on no rational understanding of analysis of energy need.

There has to be a plan. There is a plan, but it's a bad plan, in the electric field. We have to have a good plan, and that's not beyond the scope of your personal capabilities as far as I know. I think you can take on these problems, deal with them and confront them. I suggest to you, with all due respect, that instead of meeting with small firms, here or there that are facing institutional barriers within the energy field—many of them created by government ministries and government crown corporations, to be specific Ontario Hydro—instead of wasting your time as a minister doing that kind of job you should look at what creates those institutional barriers on a widespread basis across this province and start tackling the source of those barriers rather than try to deal with the symptoms as they arise in particular cases.

Mr. J. Reed: Is there an example?

Ms. Gigantes: I understand the point of the proposals you made, Julian, and I think you're absolutely right, but I do think they are symptoms of a widespread problem and that the minister's time would be better spent sitting down and tackling the source of those symptoms rather than in meetings with particular firms that have run into the institutional barriers.

In sum, I guess I would have to say I have not been as encouraged by the minis-

ter's statement today, nor by any evidence that he's given us over the last two months, as I had hoped I might be. I greeted the minister's appointment with great enthusiasm. I did it both publicly and privately, because I have high respect for his capabilities. However, I think, Mr. Minister, you're going to have to take it seriously, because if you're going to use your charm and your ability to confuse—capability which you have, as Mr. Auld did—if you're simply going to play on your charm and your ability to confuse to cover the gaps in Ontario's energy policy, I for one will be bitterly disappointed. I think we can ask for more from you and I think you can deliver more. I sincerely hope you will begin doing that in a serious way.

**Mr. Chairman:** It's 11:40. Our schedule, which we discussed at the outset this morning, indicated we would like to get to vote 2002, conventional energy, before lunch.

Mr. Gaunt, who is with us now, will not be able to be here this afternoon. He has indicated his wish to raise a matter under vote 2002. I know there will be other questions there as well. With the agreement of the committee, might I suggest we now deal with vote 2001; or are there other questions you would like to ask first?

On vote 2001, ministry administration program:

**Ms. Gigantes:** I have two questions; I imagine this is the place I should ask them.

Number one, why does the minister have a figure of \$9.8 million in his statement this morning as the allocation for the ministry estimates?

**Hon. Mr. Welch:** That's just for the conservation and renewable energy section, as I understand that figure.

**Ms. Gigantes:** That wasn't what it said.

**Hon. Mr. Welch:** Actually, it was made in the context of discussing conservation and renewable energy, and that wasn't clear. I must say that as I said it I wasn't quite satisfied that it was as clear as it might be either, but that's what it refers to.

**Ms. Gigantes:** Number two, as I indicated to you privately the other day, I'm trying to reconcile the figures you provided in the briefing book with my understanding of the estimate totals; can you explain that? On page R45, for example, there's an account there.

**Hon. Mr. Welch:** To give you some further explanation of that, it has to do with Syncrude. Mr. Rowan, maybe you could do the mathematics there, to help on that one.

**Mr. Rowan:** What was your specific question, Ms. Gigantes?

**Ms. Gigantes:** On page R45.

**Mr. Rowan:** Yes, I have that.

**Ms. Gigantes:** What's the \$14.6 million disbursement?

**Mr. Rowan:** The disbursements shown there under the 1978-79 estimates were for corporation investments of \$12.1 million for Syncrude and \$2.5 million for Polar Gas, for a total of \$14.6 million.

**Ms. Gigantes:** That came in late 1978, did it? What was the period of the \$100 million investment in Syncrude?

**Mr. Rowan:** If you recall, the \$100 million was the capitalization of the Ontario Energy Corporation. I think we discussed in last year's estimates the way in which the corporation was established and the money which was made available to the corporation for two projects which the government asked it to undertake. The first was Syncrude, and the second, was Polar Gas.

The capitalization of the corporation was \$100 million. The commitment which Ontario made in Syncrude was five per cent of the total cost, which at the time was thought to be around \$100 million; subsequently, because of increased costs of Syncrude, it was higher than that.

**Ms. Gigantes:** During the last estimates the ministry had already completed, as I recollect, sale of the Syncrude shares. That was announced later, was it?

**Mr. Rowan:** No, the sale was completed on December 28, 1978. I believe our estimates were held earlier than that.

**Hon. Mr. Welch:** But it wouldn't reflect in those estimates; that would be in the middle of a fiscal year so they wouldn't reflect. This would be the first opportunity to show that.

**Ms. Gigantes:** Perhaps instead of hassling over these figures now it would be possible for me to receive a breakdown of all those accounts and transfers; they interest me.

**Hon. Mr. Welch:** There's no question about that. If there are questions that remain after you get the information, we can sit down and go over it.

**Ms. Gigantes:** Fine.

**Mr. Rowan:** But you could help us out; would you just define a little more clearly what you mean by all those accounts and transfers?

**Ms. Gigantes:** I would just like to know how we end up with a disbursement of \$14.6 million.

**Mr. Rowan:** There's no problem at all.

**Ms. Gigantes:** I would like to know all the accounting that goes on, all the flows; Syndicate shares, the whole thing.

The other matter which I will just mention under this vote, and we'll come to it again in the finer breakdowns of the policy areas, is that there is enormous underspending in this ministry; 20 per cent underspending last year.

**Mr. Chairman:** If there are no further questions on this vote, shall items 1 through 3 carry?

Vote 2001 agreed to.

On vote 2002, conventional energy program:

**Mr. Gaunt:** I had some comments with respect to energy and gasoline conservation as it applies to cars and trucks. I want to make my comments as brief as possible because I know the committee is under very severe time constraint.

**Ms. Gigantes:** Which vote are we on?

**Mr. Gaunt:** I could do it under this vote or under vote 2004. I was thinking gasoline and diesel fuel are conventional energy supplies, so I was proceeding on that basis. If it's the committee's wish to do it under the fourth vote I would be glad to do that.

**Ms. Gigantes:** Is it an inconvenience for you to do that?

**Mr. Gaunt:** No, not at all. I would be glad to do that.

**Ms. Gigantes:** If we get into conservation programs in this area, we're messing around with one part so that it is not going to be treated as a whole.

[11:45]

**Mr. Gaunt:** I was trying to sort out in my own mind which vote would be the more appropriate. If the committee feels the more appropriate vote would be the fourth I'd be glad to proceed on that basis. That will be coming up on December 5.

**Ms. Gigantes:** Mr. Chairman, I'm easy. I think Mr. Gaunt should go ahead if he's prepared. We obviously are going to have time to get into conventional energy and energy supply this afternoon; so that's fine, go ahead.

**Mr. Chairman:** It does fit into the fourth vote, but in deference to your time, Mr. Gaunt, carry on.

**Mr. Gaunt:** Thank you very much, Mr. Chairman. I do appreciate the indulgence of the committee.

I've often thought about this problem, and I've been concerned about it. It seemed to me we have had great technological

breakthroughs in almost every other area except this one. We can send a man to the moon but we can't develop a carburetor in a car that will consistently give us good gas mileage.

I refer back to Charles Kettering when he was president of General Motors. He predicted we would be getting 80 miles to the gallon by 1939. It just hasn't happened, we're not even close; as a matter of fact in the mid-1970s we moved in a backward direction, we weren't getting as good gas mileage and performance from our cars as we were previously.

I've noted there has been some good research into this area laterally; I just want to refer to it briefly.

Scientists at Shell's Thornton Research Centre in England believe that by 1985 Britain could secure a 50 per cent improvement from a present average of 30 miles per gallon—they're getting much better mileage than we are because of their smaller cars—to 45 miles per gallon. They could do that, they feel, in the following ways: twenty per cent from engine design changes; five to 10 per cent from changes in fuel formulation; three per cent from using thinner engine oils; five to 10 per cent from improved gear box and transmission designs; 10 per cent from reducing the car's weight and aerodynamic drag, and from improved tire designs; 10 per cent from having a larger proportion of smaller cars in the so-called national fleet; five per cent from paying greater attention to maintenance.

Let me deal with three points which I think apply to Ontario and which I think this ministry could do. Of course the car designers could redesign the engine but if they increase the compression then we have to burn higher octane fuels and that is a negative aspect of that whole approach.

However, there seem to be a number of things that we can do. The first thing I would take up with the ministry is encouragement of motor vehicle owners to switch to diesel power. This could be done by lowering licence fees on diesel vehicles and reducing the tax on diesel fuel to the same rate as that levied on gasoline.

What we have now is a discouraging factor, in terms of taxes and licence fees, and it doesn't make sense. Diesel fuel is much cheaper to produce than gasoline, diesel engines are considerably more energy-efficient than gas engines; for those reasons I think it's time we provided an incentive to truck and car owners to buy diesel. We shouldn't have to pay more to operate more efficient vehicles, so I would hope that would

be one aspect the Ministry of Energy would look at. I know you've got to pursue that with your colleague, the Treasurer (Mr. F. S. Miller), but I would hope you would do so vigorously because I think that's an area where we might save.

The second practical aspect is to tune our cars effectively. There are some savings to be made in that respect. I know there has been research to indicate there could be up to a 15 per cent saving in terms of gasoline consumption if all cars were tuned correctly. There has been some research in Europe to indicate that eight out of 10 cars are not tuned correctly, with the indication that if they were there would be about a 15 per cent saving in fuel consumption.

To be more explicit on these results, the tests were carried out on 6,000 cars in five European countries. It is suggested that if every car was tuned correctly—eight out of 10 are not—an average improvement of 11.6 per cent in miles per gallon could be achieved just by adjusting the carburetor and ignition systems.

I think that's something the ministry could promote. It could conduct a little advertising and publicity campaign in that direction. I think it would be very worthwhile.

The third thing that disturbs me particularly, from the point of view that the person who came up with this invention was a Canadian. He's been languishing in the hinterlands of Canada. He's had to get his money and his assistance from abroad. I'm speaking of a chap by the name of Andrew MacGuire, who happens to live in Scarborough.

Mr. MacGuire this year received the 1978 Richardson Gold Medal from the Institute of Patentees and Inventors in London for his invention, which is a pollution elimination device. If it were on every automobile in Canada it would save from 1.5 million to two million gallons of gasoline every day. He's not a wild-eyed visionary who suddenly awakened in the midst of night to be given a vision of this little device. He has done a lot of work on it; he perfected it over the years and apparently it works.

Other people think it works; the Stavely Industries group is developing it. The French think it works; the French Luchaire industrial group is developing it and they've asked for 20,000 devices. The English are prepared to take it and do further work on it. The Ferry Cap and Set Screw Company of Cleveland, Ohio, has backed the invention with \$500,000 for research and development. A Toronto subsidiary, Precision and Environmental Development Company Limited, has

been set up to handle the MacGuire invention.

The thing that disturbs me about this is that in Canada no one seemed to be interested. Mr. MacGuire got a few encouraging letters from various officials saying, "Keep up the good work," and "Please go forward with this development which shows promise." But other than that he didn't find any encouragement at all, financially, from anybody, federal or provincial. This is a device that has now been proven workable. It's available, and I suggest the ministry start promoting this kind of device.

I don't know Mr. MacGuire from a hole in the ground. I carry no brief for Mr. MacGuire. I've never talked to him, I've never met him. All I have in front of me are some documents which show that the thing works. I also refer to the *Globe and Mail* story of April 30, this year, which sets out the invention and what it will do when applied to motor vehicles.

I encourage the ministry to get on with it, to see if this gadget, or at least its availability, can be made known to the general motoring public. I am not suggesting you go out and say Mr. MacGuire's invention is a great thing, all I am suggesting is that the general public, the motoring public, should be made aware that this invention is here. A Canadian has come up with it; it has been tested and it has been consistently shown to be workable. I suggest we take a look at making that knowledge available to the motoring public.

**Hon. Mr. Welch:** Mr. Chairman, the honourable member makes three points I would like to comment on. I couldn't agree with him more when he underlined the necessity, with respect to conventional fuels, that if we are going to make any inroads in this question of security of supply we have to look at the whole area of transportation. In this province half of our needs with respect to this particular conventional source is for the area of transportation. When one realizes the very significant portion of that which relates to the private automobile one can see that any steps that would result in better and more efficient use of fuels would be a tremendous contribution to the proper utilization of this resource.

It will come as no surprise to the honourable member that this ministry would no doubt want to discuss with the Treasurer a number of matters that might relate to the goals and objectives of this ministry. Perhaps we could just leave it at that. I did make some reference to how the budget had been used in the past to complement energy goals,

and certainly we would continue to keep before the Treasurer other imaginative ways in which we might be positive in that regard.

Secondly, so far as the inventor is concerned, I haven't met Mr. MacGuire in my brief time. I don't think any ministry people have come directly in contact with him. That might not be surprising, however, in that we do make some resources available to other ministries.

I do have some indication that Mr. MacGuire was in to the Ministry of Transportation and Communications. Some tests were conducted with respect to his invention or ideas, or whatever it was. There were some shortcomings, which were shared with him—I mean the test results were shared with him. I am advised he agreed perhaps there was some further work to be done in areas identified as a result of those tests. He has not been back yet. That's all the information I have, but I would be pleased to try and get some further information.

The other point the honourable member makes, with respect to public awareness and sharing with the public the need for keeping cars properly tuned, with carburetors functioning properly so that savings could result. I certainly have no argument with that. I would underline how important those particular points are and I appreciate the spirit in which these suggestions are made by the honourable member.

**Ms. Gigantes:** I want to ask a supplementary. Does the ministry have information on how many motor tune-ups and carburetor tune-ups are carried out? I understand such information is available from a private institute connected with the automotive trade. It seems to me that is something the ministry should interest itself in. My instinct tells me that people are not tuning their cars the way they used to, because times are tight.

**Hon. Mr. Welch:** On the basis of what I understand from the trade, important results can in fact flow from such attention to your car.

**Ms. Gigantes:** You bet.

**Hon. Mr. Welch:** I don't know; do we have any information on that?

[12:00]

**Mr. Rowan:** Not of the kind Ms. Gigantes is mentioning. However, more and more of the petroleum companies, Shell in particular, are spending a great part of their advertising dollar on energy conservation, stressing the importance of tune-ups and the benefits this can give in terms of increased mileage. So there is a focus which is being brought to

bear on the public, with a sharing of information in this way.

**Ms. Gigantes:** But it would be useful to the ministry to know exactly what people are doing so you can figure out if there is some element of income incapability in there that's influencing people to let their motors run down in terms of efficiency.

**Hon. Mr. Welch:** You say there is an agency that has the capacity to report this information?

**Ms. Gigantes:** Yes, I don't have the name with me. Our energy researcher pointed it out to me, but I haven't had time to get in touch with them.

**Hon. Mr. Welch:** It would be very valuable. I will follow up on that. I am not aware of that, but certainly those who share your interest and that of the member for Huron-Bruce in this matter have mentioned there are fairly significant and substantial savings in respect to demand, if this type of practice was followed more faithfully.

**Ms. Gigantes:** If it were true that people were not having their cars tuned as regularly as in previous periods it could explain an increase in gasoline use.

**Hon. Mr. Welch:** There's no question about it, the increased consumption.

**Ms. Gigantes:** It is something that the ministry should want to know about.

**Hon. Mr. Welch:** Certainly it would be all the more reason to mount some type of a public information campaign if you had some information that would corroborate—

**Ms. Gigantes:** It might even be worth it to set up clinics.

**Mr. Chairman:** Can I put in a supplementary? I would like to work in a question, picking up from Mr. Gaunt's comment about Mr. MacGuire, the inventor, regarding any man or woman in Ontario who has a product or an idea they believe should be adopted. I actually see a very serious side to this. I believe there are a goodly number of such people out there, thank God. When a man or woman comes up with what they consider to be a good scheme, invention or product, there are several avenues available to them to try and raise the money to market it. I guess initially you start with your friends. Maybe you then try the Canadian chartered banks, usually with limited success from what I have heard.

Then there is a tendency, and this is what concerns me, for such people to approach the government. I will tell you why that concerns me. If the oil companies have turned off such an inventor it creates a sus-

picion in the minds of a hell of a lot of people of some vague conspiracy, that Imperial Oil really doesn't want to pick up my carburetor because it's in their selfish best short-term interest to sell more gas not less gas. Now that's a very serious problem, actually. I don't think the government, with respect, and the trained people within your ministry and other, are in a position, or more important should be in a position, to say to Mr. MacGuire or these other people, "We don't think that works." There should be other avenues these people have access to, and I think it is important there be agencies with no vested interest. Universities come to mind where they have in place the skilled, objective people who could monitor this product or scheme, have a good look at it. If Mr. MacGuire went to the Ministry of Transportation and Communications and they said, "It's not a bad idea but we don't think it's good enough," I would feel better and MacGuire and his friends would probably feel better, if he had that kind of information given to him from somebody totally removed from the government, business and the banking communities. It's all the more important, of course, because in this prevailing environment and concern about energy there will be, hopefully, more people coming forward with new products and they have got to have every indication they are getting a fair and complete hearing. I hope that in your ministry there are clear enough guidelines so that these people get every possible opportunity to have their idea looked at objectively. It's terribly important because the conspiratorial theory is alive and well, and with that in mind we should do everything we can to encourage these people and to give them direction. I don't know how you do it, but if the banks and the oil companies pass, I don't think the government's in a position to pass. We're going to have other people, therefore; other agencies, like the universities would be one good suggestion.

**Hon. Mr. Welch:** Mr. Chairman, the point you make is a very valid one. You would not be surprised, I am sure, to learn that there is a widespread interest in this area. As mentioned by my critics, I haven't been here very long, but I've been amazed by the amount of mail and phone calls from everyone who has the device or the idea that's going to be. Someone was in this morning, I understand, who has an idea for a new engine that will cut fuel consumption by one half. That's hot off the press this morning, from someone who really is quite convinced

of that. I can assure you from my own experience, in that brief period of time, there are a lot of people around who've got ideas.

As long as we have the Ontario Energy Corporation, to which I made some reference this morning, there will be some real interest on our part in being involved. Certainly, we have a number of approaches. There is a facility or some type of organization at the University of Waterloo where inventors can have preliminary testing done. There will be that objectivity and perhaps they might have confidence in that community. For a small fee, they can have something run through some test.

We have used the Ontario Research Foundation as a fairly important backup research facility in this regard in some cases, depending on the concept, the idea and the whole area. We've even retained consultants to get some advice with respect to that which I suppose the Ontario Energy Corporation would rely on to some extent as well. So the point's well made.

Certainly, I believe from my contact with those I am associated with in the ministry, we treat all these things quite seriously. You get people displaying certain suspicion, not along the lines you mentioned but they want some protection. I get a little nervous about that because I want to satisfy myself that people are really taking the necessary steps to protect themselves. The more you talk about it, the more people you share the idea with and, of course, the more risks you take in that particular area. That's a bit of a concern too.

The spirit of the comments you made is very legitimate. We'll see more of this as it becomes more attractive to develop some of these ideas, particularly—I underline again, particularly—in the transportation area and particularly as it would relate to private automobiles.

**Ms. Gigantes:** Mr. Minister, you mentioned in your address to us earlier that for the private entrepreneur with a brand new idea in the renewable or conservation areas the ODC would be the funding mechanism provided by the government.

**Hon. Mr. Welch:** I don't think I mentioned the ODC. I talked about OEC, the Ontario Energy Corporation.

**Ms. Gigantes:** No, you said there were funds available in the Ontario Development Corporation for small industry to encourage, blah, blah, blah.

**Hon. Mr. Welch:** Well, I didn't say, "blah, blah, blah."

**Ms. Gigantes:** No, "et ceterea, et cetera," Mr. Minister.

**Hon. Mr. Welch:** Your translation of my words—however, I wouldn't dismiss the possibility—

**Ms. Gigantes:** I thought to myself at the time, I wonder what funds the ODC has allocated over the last year for encouraging small industry in the conservation and renewable energy areas.

**Hon. Mr. Welch:** I don't think the list would be very long.

**Ms. Gigantes:** I'll bet you it would be peanuts. Perhaps you can provide us with the figures.

**Mr. Gaunt:** I want to respond to what the minister and the chairman said. Mr. MacGuire is far beyond the University of Waterloo stage. He is far beyond that and I am aware of that program. I have referred several constituents to it—and it is a good program, as an initial step. Mr. MacGuire is past that stage.

In my previous comments I mentioned that France and England were both interested in this invention. Yugoslavia has sent an updated version of a Fiat over here to have it tested with this device. The United States National Bureau of Standards has now entered into the second stage of a three-stage testing procedure of this device. The Canada Energy department made tests on a version of this device and found fuel economies ranging from 12 to 17 per cent. Really, the whole thing is very simple. It boils down to a device that gets total combustion, rather than partial combustion; it is as simple as that, very straightforward. It does it by controlling the air flow through the carburetor.

MacGuire himself has said if he sold it to an oil company or a car manufacturer they would say, "That's too simple, too cheap. We can't go with that. We have to machine a very complicated system, because we have got to look at the parts and perhaps add another \$250 to the price of the car. We have to write off so much in engineering and development. There is nothing in it for the car company to accept a device like this."

That gets to your point, Mr. Chairman. That's why individual entrepreneurs, developers, and inventors have such a hard time. There is so much built into the system that works against them when they try to get their invention accepted. For that reason, I think the government does have a role in this kind of thing. I agree with you that that role should be more than saying, "We don't think it works."

With that I will call a halt. I thank the committee for their indulgence.

**Ms. Gigantes:** I should correct some information I just put on the record. In fact, the minister did not refer to ODC. He said, "In addition, substantial funds are available through the small business development corporations and the Ministry of Industry and Tourism to help establish small businesses which manufacture energy-related goods."

I would like to know how much of those substantial funds have been allocated in the last year for small businesses which manufacture energy-related goods.

**Hon. Mr. Welch:** I have seen one of the papers from Industry and Tourism about the programs of the development corporations that talks about the purchase or modification of energy-saving equipment, secondary manufacturing industries and service industries.

**Ms. Gigantes:** But how much money was spent through those programs? You talk about substantial funds. Could you give us some concrete information on that?

**Hon. Mr. Welch:** I will be glad to get you further information on that.

**Mr. J. Reed:** My colleague has brought up a number of rather important points which I think are worthy of comment. First of all, he said there is a point one reaches with development, and it will become more and more frequent as time goes on, where innovation and new ideas require some mechanism to give them a push. In my own philosophy, I like to see those pushes happen through private initiative.

What tends to happen very often, unless some care is taken in assessing these innovations and looking at them, is that good ideas will be grabbed by another country or whatever and we lose the advantage of the technology created right here in the province. I could give you some really sad stories about the good ideas of one inventor who became an entrepreneur but, because he ran into some cash-flow situation which might have been very temporary and had no bearing on the orders and guaranteed money he would have at the end, could not keep up his business and was forced to sell. He had a good thing going so an outfit in the United States with more capital ended up taking over the idea.

[12:15]

We are going to see more of that in energy innovation. I think it has to be dealt with in a very careful and astute way. I am not one who agrees with the holus-bolus distribution of money to various projects.

As a matter of fact, it brings up the other side of that equation, the business of the government undertaking—and the minister and I have discussed this before—to find out where the hurdles, the obstacles in the system, are and clearing those obstacles away. That doesn't require large amounts of investment money; that doesn't require great thrusts in the construction of crown corporations or anything like that. What it does require is an intelligent and knowledgeable look at or walk through the problem.

That's why I brought up the subject of that little power plant this morning. I want the minister to walk through the problem. No one wants any money, no one wants largess from anybody. Let's just go together through the thing and understand where the problems are.

Ministries, with all of their good intentions, harbour their own sets of prejudices, their own limitations, depending upon which area of the empire one approaches at a given time. Just as an example, in the estimates of the Ministry of Natural Resources a couple of weeks ago, I picked the minister up on the way he tossed off small hydro power. He talked about it as being too expensive, not economically feasible. I had to point out to him that it wasn't his place to comment on the economic feasibility of anything if the private sector was willing to undertake the nut. All he had to do was to make a governmental decision that they wanted a particular thing to happen and to clear the path in a reasonable way.

I suggest that will happen here too. You will have areas of your ministry which will harbour prejudices about economic feasibility. Try to keep the feasibility approach out of your ministry and say, "All right. Here is private enterprise that wants to pursue this thing, but it is running into these hurdles"—what we call the institutional barriers. "Cut through that red tape." If the ministry does that, if it can accomplish that task, it has gone a long way towards economic recovery in Ontario, especially through this new area of renewable energy and energy conservation.

The other subject my colleague brought up was on information—Ms. Gigantes touched on it too—the need to inform the public. I have to tell the minister I am very impressed with the kind of information structure for farmers that is in place at the present time through the Ministry of Agriculture and Food. I am an old Ontario Agricultural College graduate and I am familiar with that system of publications and information.

A farmer can go into an ag rep's office, he can go to the University of Guelph, et cetera, and he can have complete access to any subject area pertaining to agriculture in the remotest way—everything from injector pumps on diesel tractors to dairy husbandry in Ontario, to building your own swine-housing equipment or whatever you want to discuss, even making wine on the farm, I suppose.

**Hon. Mr. Welch:** Now you're getting my attention.

**Mr. J. Reed:** I knew it would take something of a two-by-four.

The fact is, that information system is well in place and is reasonably well handled. Farmers have no problem relating to it. I see the necessity of establishing a very similar kind of thing in energy.

We are dealing in technology, albeit very often simple technology. We are dealing with the art of the possible which, economically, might have been impossible 10 years ago. We are dealing with all sorts of things. It seems to me there are a lot of people who tend to be innovators who are now interested. Maybe there are more of them in agriculture than there are in any other sector of society; I kind of think there are. I find farmers are far more receptive to change and technological innovation than many other people. But the fact is there should be a medium.

When Evelyn talks about the business of tuning automobiles, there are a lot of people who are quite capable of doing it themselves and maybe they are not running into the garages as often. But automobiles are more complicated than they were 15 years ago and I am not sure I would feel confident about tuning my automobile, for better mileage and better performance, right now the way I did with my old 1950 Chevrolet truck.

I would suggest that in all these areas of energy, whether they be renewable options, areas of conservation and so on, it would seem to me—and I know you have this book called The Publications, I want to know what access the public has to it. Can the public go into the ag rep's office and pick up these publications? Can the public go into all the libraries in Ontario and get these sorts of things? Are they available for 35 cents in the bookstores, in Coles or wherever? That is the kind of thing you have to do and you have to get that information out to people so they know what they can do.

**Ms. Gigantes:** Mr. Chairman, I am embarrassed, I am going to have to correct

another piece of information which I put on the record and that is my estimate of underspending by the ministry. Once you take out those weird figures on disbursements associated, apparently, with the Ontario Energy Corporation, 1978-79, the underspending on the total ministry looks closer to 25 per cent than to 20 per cent.

First of all, in the light of the line of questioning that has been going on right now as a result of Mr. Gaunt's information, I would like to point out to the minister how this connects with my feeling that the focus is entirely the wrong way in the ministry, has been and still is, according to the latest statements of Ontario government policy.

I refer you to page 10 of the Energy Security for the 1980s document. You will note, first of all, it says, "The Minister of Energy will establish a renewable energy development organization in co-operation with the private sector and Ontario Hydro;" obviously we will want to know more about that. Then it goes on to say, "Ontario will seek participation from the private sector, particularly the petroleum industry and Ontario Hydro, in financing the capital and operating expenses of the renewable energy development organization." That seems to go directly counter to the kind of thinking we have been suggesting here, right now, on the subject of one possible technological innovation in the fuel conservation area.

Whether you call it conservation or whether you call it renewable, it seems to me that if you are calling on the private sector, particularly the petroleum industry as outlined in that Energy Security for the 1980s paper, we are again going to be running into that whole system of policy where the Ontario government, first of all, depends upon the federal government to create a framework based on supplies of primary petroleum-based products mainly, and concerns about the pricing of those supplies; and, second, we are calling upon the existing energy industry—the private sector, the oil companies, the gas companies and so on—to provide us with the funding for a renewable energy development organization. That strikes me as going at it backwards, again.

Either we are going to do it and we are going to do it seriously as public policy here in Ontario, or we ain't. The way you are outlining it still, I suggest, means we ain't.

If the private petroleum industry is interested in developments of a technological nature which are going to move energy planning away from discussion of supplies of

primary conventional fuels, I will eat my hat. Any innovator who wants to have his product assessed and have a fair crack at getting some assistance in financing surely is not going to feel very happy going to a development organization that is financed, particularly, by the petroleum industry.

**Hon. Mr. Welch:** I think in that connection there may be some misunderstanding. If the end result is to have all these developments end up in public ownership, with which I wouldn't agree, then there may be some point in talking in terms of a hundred—

**Ms. Gigantes:** I assume you said, "wouldn't," I didn't quite hear you.

**Hon. Mr. Welch:** No, I wouldn't agree with that, that it should be all ending up under public ownership.

**Ms. Gigantes:** Nobody proposed that as far as I know.

**Hon. Mr. Welch:** The point is, if you are going to stimulate interest in the private sector—let me go back one step. There is some evidence that the traditional companies are looking for investment opportunities in renewable energy and in my conversations during my short time here I have been interested to find what some of those particular activities of the oil companies are.

**Ms. Gigantes:** Exxon is interested in getting into the solar power market and it is certainly interested in getting into the electricity regulating motor—

**Hon. Mr. Welch:** Shell is into forest waste, I heard.

**Ms. Gigantes:** Sure, they are going to expand their interests. But you are not going to get the private petroleum industry, such as exists in Canada, interested in this kind of thing.

**Hon. Mr. Welch:** I am not going to be drawn into any argument whereby I am portrayed as defending any particular sector of the private investment community. All I am trying to speak to is the principle that the renewable energy field has to be an exciting one for purposes of development. There is no reason why there can't be arrangements in which we would invite the participation and involvement of the private sector and Ontario's public utility. In fact we have started discussions with them in respect to this.

**Ms. Gigantes:** Mr. Minister, I think that is poppycock and I think you know it is. If the private sector—viz. the petroleum industry as we know it in Canada—is interested in renewable energy developments, they are going to do it for themselves and they are

going to package it and market it for themselves. They are certainly not going to help the Ontario government help little inventors market equipment or designs.

**Hon. Mr. Welch:** I am not suggesting that is the vehicle by which we are going to help the little inventor. We already have the Ontario Energy Corporation in place and we already have other vehicles with respect to this.

**Ms. Gigantes:** Why bother saying this kind of thing then?

**Hon. Mr. Welch:** It goes back to some of the earlier comments about which I have not yet commented, the introductory remarks of my two friends. I am accepting these points of view as points of view that are held by very sincere people who have an interest in the energy future of Ontario and Canada. We gain very little by simply talking back and forth as to whether some of these things are accomplishable or not, I accept as a legitimate criticism that perhaps we have talked about these things long enough and you are going to judge this minister and this ministry on what they can accomplish, on their deeds. I am simply asking this committee to vote us the resources that are set in our estimates.

We have set out some policy papers which establish some goals, about which there is no argument and we have recognized the problem, about which there is no difference of opinion. All we are hearing are honest differences of opinion with respect to whether or not we are adopting the right means to get to the end; whether or not you have confidence in the government to accomplish those goals; and the degree of public or private investment or involvement there should be. All of these form the basis of a very interesting debate.

At the moment I remind you that no one disagrees with the fact that as a country we have an energy problem. I have heard no one argue that the goals set out in our policy papers, are not considered to be in the best interests of the province or the country.

**Ms. Gigantes:** If you say we accept that there is a goal to solve Ontario's energy policy, that is—

**Hon. Mr. Welch:** I didn't say that.

**Ms. Gigantes:** That is probably where the agreement stops.

**Hon. Mr. Welch:** What I want though, during the course of these estimates, is some better understanding of why the member for Carleton East feels there is something strange in so far as Ontario is a part of Canada wanting to identify itself in some respect to the overall Canadian energy policy as it relates to the conventional or traditional fuels.

**Ms. Gigantes:** Oh, but it is where you put your energy in the energy policy field.

**Mr. J. Reed:** While we are debating this—

**Mr. Chairman:** Mr. Reed, and this will be the last time as it is 12:30.

**Mr. J. Reed:** I hope the minister would also recognize the contribution of the two parties on this particular subject matter. It's a matter of trying to help the ministry address a problem which has taken on a degree of urgency that transcends—and I think the minister touched on it—whether or not we happen to be socialists or free enterprisers or whatever else we are and identifying the problems together. Hopefully, as critics, we are helping to present some of the options.

**Hon. Mr. Welch:** Before the chairman brings down the mallet to announce lunch, I accept that. That is the point I was trying to make. There is nothing surprising about the cut and thrust of partisan debate and that is all part of this place but, with respect, I am sure there are many things in this whole issue on which we would find a lot of agreement. In so far as what we hope to accomplish, we may have differences of opinion as to how it will be accomplished but the whole area requires far more optimism at the moment than I find in some segments of the community. Depending on who you speak to and with whom you come in contact, there is a great deal of pessimism that hangs over this which we have to help dissipate.

**Mr. J. Reed:** I agree with that.

**Hon. Mr. Welch:** I appreciate that one of the ways we accomplish it is by showing some leadership and by doing something together.

The committee recessed at 12:33 p.m.

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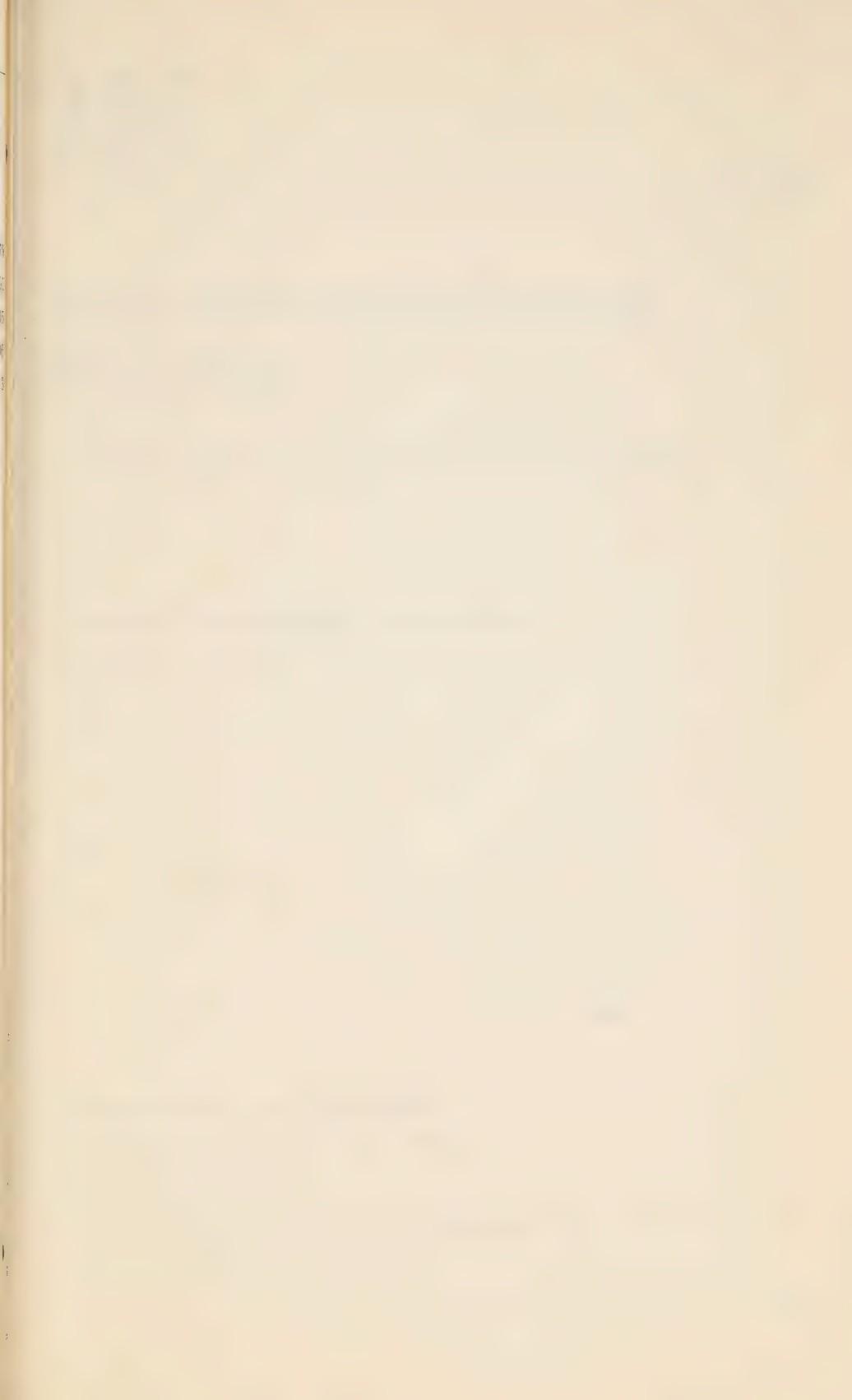
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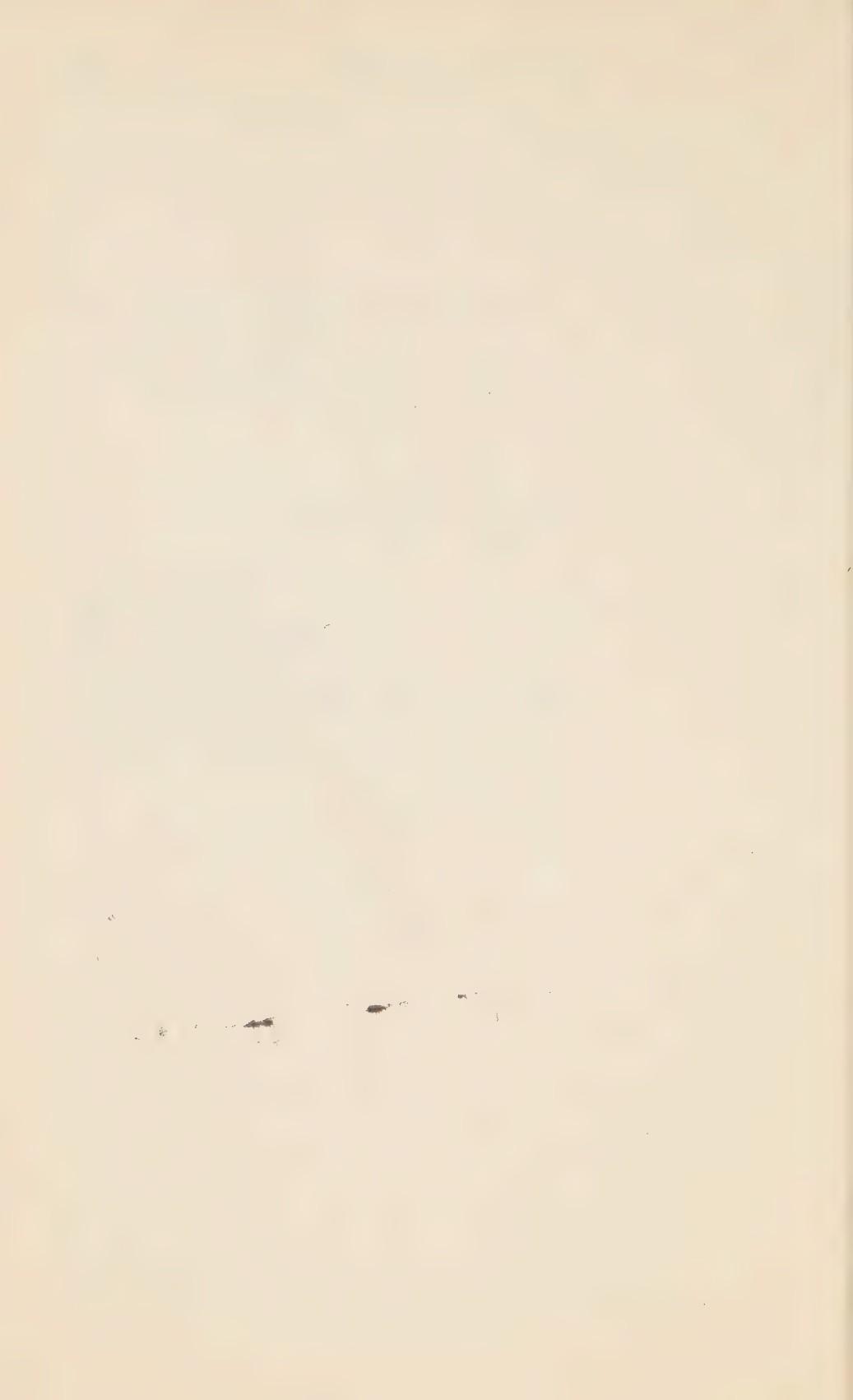
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Welch, Hon. R.; Minister of Energy, Deputy Premier (Brock PC)

**From the Ministry of Energy:**

Rowan, M., Deputy Minister







No. G-9

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**  
Estimates, Ministry of Energy

**Third Session, 31st Parliament**  
Wednesday, November 21, 1979  
Afternoon Sitting

Speaker: Honourable John E. Stokes  
Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 21, 1979

The committee resumed at 2:13 p.m. in room 228.

### ESTIMATES, MINISTRY OF ENERGY (continued)

On vote 2002, conventional energy program:

**Mr. Watson:** Mr. Chairman, one of the things under the conventional energy supply I would like to discuss, which maybe we don't like to talk about too much or out loud, is that the present price of gasoline doesn't seem to be doing the rationing function some people thought it would. If it does ration it, sometimes I think it only rations it to the people who can afford it, rather than some of the people who need it. What are the ministry's views on rationing?

**Hon. Mr. Welch:** This does have some reference to the reliance you place on the information we have in so far as the supply is concerned. I don't see that as an immediate prospect.

As the member perhaps knows, the government of Canada has legislation on the books for emergency allocation, once there is some decision taken with respect to an emergency situation. There has been some indication recently that the government plans to put in place the Emergency Supplies Allocation Board, which will have the responsibility, among other things, of evaluating and assessing the situation from time to time. If it were to decide we were in an emergency situation, to use the title of the act, then it would have the power to start intervening with respect to the allocation of supplies. There are three stages of that, of which retail rationing, ultimately, could be part.

The member does invite some comment, however, on a very interesting question as to whether or not there is any relationship with respect to consumption and price. There are many who argue that by drastic or dramatic increases in price you curtail consumption and say that is one way to accomplish that. It is a view we haven't supported and which I would not support personally. To put it another way, I haven't seen any hard evidence that that is necessarily the result.

Secondly, I think it does create the inequities, to which the member has made reference, with respect to assigning some preference to those who can afford the higher price, while perhaps leaving those who can't afford it at some disadvantage.

In summary, I don't see the need at the moment for rationing on the basis of the information I have, keeping in mind that determination, ultimately, would be made by the Emergency Supplies Allocation Board.

[2:15]

The member might be encouraged by the fact we had an opportunity recently to meet with the Provincial-Municipal Liaison Committee and share with them information we have in so far as that legislation is concerned and how it might be implemented. I think it is fair to say that representatives of our ministry have been involved in consultation with federal officials over a period of time, as they have been giving some thought to the details of that.

The Ministry of Transportation and Communications, along with ourselves, had a seminar within the last two or three weeks, in which we were sharing with those involved in the municipal transit operations what the implications of some of the practical translation of that act might be.

**Mr. Watson:** If I might interrupt, as you are on this subject and I want to lead into it, I have a particular concern. What is going to be the provincial or federal responsibility with regard to allocating fuels for agricultural production? That is kind of a sticky point in the farm community. They want to be assured they are going to have fuel to produce food.

**Hon. Mr. Welch:** The federal government has prepared plans to deal with any shortage that would be considered critical and of an emergency nature. As I said, it is in three stages. There is the general question country-wide of crude oil allocation; then what you would call product allocation at the wholesale level and, finally, the whole question of motor gasoline rationing, if that were considered necessary.

There is a fair amount of detail available which I would be very happy to share with the member. It is part of a packet we used

at the seminar and which shows the priority designations, be they ambulance service, municipal transit or production of food and that sort of thing. I would be glad to have that material sent to the member.

**Ms. Gigantes:** Could I ask a supplementary here? Is that the material that was presented at the PMLC meeting?

**Hon. Mr. Welch:** Yes. There was a package as well which we received following the meeting with the municipal transit people, which I think was held at the Valhalla Inn. I don't think there was any material there that wasn't shared at PMLC.

**Ms. Gigantes:** There is nothing in that document I see that relates to the provision of fuel for agriculture.

**Hon. Mr. Welch:** I stand to be corrected but I think you will find we simply extracted from the overall priorities those items that would be of particular interest as far as the municipalities and their operation were concerned. We could provide you and the member for Chatham-Kent with the fuller list. We simply took from the overall priority setting those that would be of particular interest to municipalities.

**Mr. J. Reed:** Just as a kicker, could the Liberal energy critic get a copy too?

**Hon. Mr. Welch:** We would be glad to include you. We just happen to have three copies left, but we would be glad to see you got the third one.

**Mr. J. Reed:** I will photostat it.

**Mr. Watson:** What influence or power do you as the Minister of Energy for Ontario have with regard to this whole thing? Is it strictly one of influencing them or giving them your opinion? Do we have any direct control on this allocation board, or is it entirely federal?

**Hon. Mr. Welch:** We have no direct control. As I mentioned, there has been fairly full consultation with Ontario by federal officials of the Energy, Mines and Resources in so far as all of this work, to which I have made reference, is concerned.

I would be very surprised if, in bringing together people for this board, there wasn't some consultation with the province, ultimately, with respect to some of the appointments to that board, but it will be a federally appointed board. I feel quite satisfied our people have been actively involved with the federal people in making input or offering some suggestions with respect to the practical application of the act.

**Mr. Watson:** In the division of powers, if we were to have allocation at that level or

if we were to have rationing at the product level, if world conditions came to that, would that program be run by the federal government or by the province?

**Hon. Mr. Welch:** By the federal government.

**Mr. Watson:** There wouldn't be a rationing program run by Ontario?

**Hon. Mr. Welch:** No. The plan calls for the opening up of regional offices. The plan calls for the secondment of staff from the province with respect to operations. The details of the operations of the plan would be under the emergency allocation legislation of the government of Canada.

It is important, though, on answering the question, as I reiterate for the third or fourth time, to say I don't see this coming into operation immediately. The situation, though tight, appears to be manageable. On the other hand, we would be less than responsible if we weren't in the position to respond in some way that we have been involved in working with the government which will have the ultimate responsibility in some plan, should it be necessary to invoke the powers of that act and all that flows from it.

**Mr. Watson:** I have another question on another topic that think fits under this vote on conventional energy. A question was raised in the House the other day that concerns me in my constituency and probably concerns others. Every year we get calls about somebody's gas or hydro being shut off. Are we now operating under the same policy guidelines for all our utilities, be they gas, hydro, or whatever, with regard to people who don't pay their bills for what ever reason?

**Hon. Mr. Welch:** I think Mr. Auld, my predecessor, made some statement in connection with this a few months ago. In response to the question that was put in the House the other day, there was some indication the utilities have come to some agreement on a voluntary basis as to how they would handle the situation. I will have Mr. Rowan bring us up to date on that.

**Mr. Rowan:** As the minister has said, Mr. Auld made a statement in the spring session of the Legislature to the effect that there had been a task force of various energy suppliers—electrical, natural gas and water, water being a utility more than an energy supply—to deal with the issue of some rationalization and some common ground rules under which the cutting off of a utility service would be undertaken.

Those ground rules were agreed to by the various utilities on a voluntary basis. It was

felt important to bring together the various associations and the various utilities to understand what the norm was in the industry and what the exceptions to the rules were, and then try to deal with what was appropriate, both from the point of view of the person receiving the service and the organization supplying the service. It was on the basis of those discussions these ground rules or voluntary principles were agreed to and announced by Mr. Auld. We would be very happy to make available a copy of that statement and ground rules for your information and for that of other members of the committee.

Essentially, it's to try to strike a balance between the need for individuals to continue to receive essential services but, at the same time, from the point of view of the supplier and the other customers within the supplier's area of responsibility to ensure one group of customers is not subsidizing another group because of the lack of payment or for whatever reason the service is cut off. It was on that basis these ground rules were established and are now being followed for the most part by utilities across the province.

**Mr. Watson:** Is there anything in these ground rules applicable to winter seasons? A person says, "They wouldn't dare cut off my gas in the middle of winter." The one I get is, "It's against the law to cut off your gas in the middle of winter." I'd like it reaffirmed for my own benefit that there's no such law. Some people have the idea if a gas company starts serving them gas in the fall, it has some obligation to see them through the winter, whether they pay for the gas or whether they don't. I'd like that dispelled. I'm not for cutting people off unless there are desperate considerations, but there's no law that says a company can't if they haven't paid their bill.

**Mr. Rowan:** I think the way the utilities go about this very difficult job of deciding whether or not somebody should be cut off is to apply a lot of common sense. We try to look at the circumstances that prevail in that situation and to say, "Are we dealing here with a real hardship case and what are the alternative ways in which that hardship case can be dealt with?"

There are many social service agencies and forms of assistance through social service agencies available to customers of utilities. Most utilities are aware of the assistance government and the private charitable organizations provide and seek these out and try to assist the individual involved. Where there is some drawing of the line, if I may interpret the approach the utilities

tend to use, is where they are seen to be a social service agency themselves. If they continue to provide service long beyond the norm, it has the effect of forcing people who are paying their bill to subsidize the people who aren't paying the bill.

To repeat, there is a great deal of common sense, sympathy and assistance given to people who are in these difficult situations in order to help them seek alternative ways in which they can come to grips with their financial problems.

**Mr. Watson:** The problem exists because a utility company gives a person one chance and a second chance but it can't garnishee the welfare cheque, if I could put it in those terms. The people who have been on welfare have been allotted a certain amount in the past to pay their utilities and they've chosen not to. Then the people come running to me and, I expect, other members and say, "They're shutting off my gas." I call the gas company and they say, "But they're three months behind. They got an allotment on welfare to pay their bill. Even if they were in arrears, if they'd at least pay us what they were given to pay us, we'd be sympathetic to them. Because they chose to ignore us completely, we can't be."

I expect my experiences are as frustrating as the gas company's in this regard. The question has really been answered. There's no provincial law which says, "They can't shut off the gas at any time of the year, if you don't want them to."

**Hon. Mr. Welch:** I think the member and others have acted as arbitrators in many of these things on a case-by-case basis.

**Mr. Watson:** As conciliators. I don't think it's ever as an arbitrator.

**Hon. Mr. Welch:** Mediators.

**Ms. Gigantes:** Perhaps what we could do in the discussion of these two votes is try to decide what we're getting into and have a general discussion. I think there are a lot of lines of questioning we want to share on this. I'd be quite happy to open it up between the two opposition parties.

First, for the sake of my own clarity, I'd like to understand that when we're talking about energy supply, we're talking about the Ontario Energy Corporation and what we're talking about with OEC is Polar Gas and Syncrude-type investments, period.

**Hon. Mr. Welch:** Or any other suggestion you might have as to the role for OEC.

**Ms. Gigantes:** I'll write you a brief on that. I won't take up the time of the committee.

**Hon. Mr. Welch:** I was alluding to that near the end of my remarks this morning. I think the role we see for OEC in the new mandate for OEC is a fairly important one to talk about, but maybe not necessarily now if the member wishes to defer that for some other time. We're quite prepared to share with her where we are with OEC at the moment and talk about things in which we are involved.

**Ms. Gigantes:** I think it would be useful, before I raise any questions, to know what the accounts look like.

**Hon. Mr. Welch:** What I might do is ask the president of the Ontario Energy Corporation to give us a run down.

**Ms. Gigantes:** I don't want to hear it right now without the accounts. We don't have accounts that are really comprehensible before us. I'd like to have a sheet with figures and all the transfers, investments, interest payments, profits and all that kind of stuff that's up to date.

**Hon. Mr. Welch:** Before these estimates are completed?

**Ms. Gigantes:** Yes, if they can.

**Hon. Mr. Welch:** Over the lunch hour we're preparing something. If the member is making some reference to page 45 in the briefing book, maybe we could do that. Have you got something there?

**Mr. J. Reed:** The memo made reference to what was called conventional energy. I'm just looking at it. It's kind of an interesting comment because I wonder what we would have said about uranium 20 years ago, if that had been listed under conventional energy, and what will we be saying about alcohol in 10 years time. That'll probably be listed under conventional energy.

**Hon. Mr. Welch:** There have been many things said about alcohol over the years.

**Mr. J. Reed:** Said under the influence.

**Hon. Mr. Welch:** I might even have suggested that too at times. At what point would the member like to have some explanation of those figures?

**Ms. Gigantes:** When we can have a page in front of us.

**Hon. Mr. Welch:** Okay.

**Ms. Gigantes:** That would be useful. Perhaps we should just start out with oil, bat that around a bit, move on to natural gas and then go into the demand areas in Ontario—gasoline, heating oil, natural gas, coal and uranium. I don't know how people want to tackle it, but we might as well start with oil.

You haven't got a price for oil. I think probably one of the key things that came up at the first ministers' conference was the question of how the price of natural gas might be related to the price of oil when it's established. I wonder if you could give us a few of your thoughts on that because it seems to me there's some confusion about exactly what has been agreed on in natural gas pricing related to the price of oil.

**Hon. Mr. Welch:** I don't think there's been any agreement on the question of price at all. If this isn't the case, then the member will stop me. As far as the Ontario position is concerned, we have argued in the context of the price debate that the pricing of natural gas should be freed from or uncoupled from the price of crude oil. We argue that this principle—that there be some percentage relationship to that price—should not be the case. In my opening remarks this morning, I talked about allowing the price for natural gas to be unlocked and letting the market place determine it. We think under the circumstances of the moment with respect to the supply situation this would result in a lower price for natural gas.

**Ms. Gigantes:** That's not going to happen.

**Hon. Mr. Welch:** We don't sense we're making very much progress with that argument.

**Ms. Gigantes:** In fact, you sense that's not going to happen.

**Hon. Mr. Welch:** However until a decision is announced, we're consistent at least in taking that position—and let me come back to that. We have heard something, which I did make some reference to as well in the opening remarks today, about a natural gas incentive plan of some kind. I pointed out it's difficult to know at what point we'll get this less expensive gas.

**Ms. Gigantes:** Which less expensive gas?

**Hon. Mr. Welch:** We're talking in terms of the 85 per cent calculations being applied up to a certain load—if I'm getting complicated, hit me—beyond which, as far as increased volume or new customers are concerned, there would be a 65 per cent price calculation. So this 20 per cent differential would be used to encourage distributors with respect to new systems and that sort of thing.

**Ms. Gigantes:** That would go to distributors, though, and it would go to areas where there are no existing gas main lines.

**Hon. Mr. Welch:** I'm only pointing out to you that this is what we hear suggested as the incentive plan.

**Ms. Gigantes:** That's what the Prime Minister said on television.

**Hon. Mr. Welch:** Right you are. But if you ask me if I know anything other than that, that is my source and that is my understanding.

**Ms. Gigantes:** That doesn't offer anything to Ontario consumers in terms of uncoupling them from 85 per cent of the price of oil.

**Hon. Mr. Welch:** That is correct, unless you could see some benefit to a consumer in that with the subsidy being used in a capital way which wouldn't relate in the actual cost, it would maintain some uniformity in cost. I'm not here to defend that policy but rather to expand on the concerns that have been raised.

**Ms. Gigantes:** You are here to describe the policy on behalf of the government.

**Hon. Mr. Welch:** As you know, I know nothing more about what the pricing arrangement ultimately will be between the government of Alberta and the government of Canada, with a very strong point of view expressed by the government of Ontario.

**Ms. Gigantes:** Can I take you back one step in this? You talked earlier about how you weren't convinced the price of oil or petroleum products really had any affect on consumption and that you hadn't seen, if I recollect correctly, "any hard figures." Were you in Ottawa at the first ministers' conference?

**Hon. Mr. Welch:** Yes.

**Ms. Gigantes:** Did you have the pleasure of being briefed, along with the press, by Energy, Mines and Resources before the meeting?

**Hon. Mr. Welch:** No.

**Ms. Gigantes:** You received the documents that were prepared for that conference?

**Hon. Mr. Welch:** Yes, there was a fair amount of literature.

**Ms. Gigantes:** Did you have a look at them?

**Hon. Mr. Welch:** I haven't gone over them in any great detail.

**Ms. Gigantes:** They have some very hard figures that seemed to me to indicate there is a direct correlation between price and consumption. There certainly is in transportation, which is a major concern in Ontario, and energy use for households. I will refer you specifically to the document called Background to a New Energy Strategy, dated November 1979, in which there are tables that give the correlation, as understood at the federal level, and which certainly have

the effect of undercutting the position the Premier was taking at that first ministers' meeting. It was my impression he was rather surprised by the unwillingness of the press to transmit his message that there was no significant relationship—or in your terms no hard figures to indicate a relationship—between cost and consumption.

**Mr. J. Reed:** If you don't mind my interrupting—

**Ms. Gigantes:** No, go ahead.

**Mr. J. Reed:** —this brings up the whole basic question of the provincial role in the federal scene as regards energy pricing and supply. Sitting on the outside and just looking at it as a critic, I am concerned that what really appears to exist is a situation where Ontario goes to Ottawa and deals really with a hypothesis. It presents a point of view and so on.

I'm concerned that point of view is then presented to the people of Ontario in a way that would lead them to believe that somehow Ontario really can make it happen. I suppose this can backfire on the Premier ultimately. It appears to be increasingly evident his position is failing. Unless there is some sort of political interaction among the three Conservative governments involved, unlike the professional wrestling match type of exchange where everybody puts on a good show but nobody gets hurt then, all of this exchange really doesn't amount to a hill of beans in the last analysis. But it is being represented to the people of Ontario as being a tremendous knock-down, drag-out fight which tends to show the government is really doing something.

**Mr. Ruston:** Do you know what they are going to do? They are going to change dinner plates tonight.

**Mr. J. Reed:** The Premier said he expected the food to be reasonably good, although overpriced.

I am seriously concerned about that because here we are in a situation where the people of Ontario are not being presented with a necessarily accurate picture. They are being presented with a political picture and perhaps the picture the Premier thinks they would like to hear—and maybe the one they would like to hear. But when the crunch comes, there's going to be incredible confusion and misunderstanding about the reality of energy in Ontario.

I don't say that from any political point of view. It's a non-political position to take, but I'm really concerned about it. The Premier's view, as the minister will recall—

and he was in the House when I asked that question about supply on October 12—was that the oil pipeline would continue to flow at the same level as it always had.

That's a fundamental assumption he has made when he attacks this price situation. It's misleading because it's taking us right down the garden path towards what I feel within at least the next two or three years is going to be quite an upheaval. We are not going to be prepared for it.

You remember the aside the Premier gave me. Maybe I shouldn't even repeat it. I was haranguing you about the fact that one political upheaval or one mechanical breakdown would result in a shortfall of supply. You know what the Premier's response was to me at the time—I think he'll acknowledge it. He said, "Yes, the sky will fall too."

By golly, yes, it will, if we keep going the way we are. I think that somehow through all the politics we play, the true message has to be got out that we're headed for changing times, so let us deal with it in the most comprehensive, the most optimistic and the most active way we possibly can. I see this exchange at the federal level as not being a presentation of a point of view, but as something which can be done somehow. We're saying that if we're strong enough and tough enough and we twist some mythical arm, somebody up there will yell "uncle" and the people of Ontario will be satisfied. I think that's misleading.

[2:45]

**Hon. Mr. Welch:** I would like to comment on this and I also want to go back to the comment of the member for Carleton East before I forget that.

The background materials for the energy strategy that are dated November 1979 had been discussed earlier by our ministry people in a fuller form than this. In other words, this is not the first time our ministry would have had access to some of the material contained in these reports. It would come as no surprise that we don't necessarily agree with some of the positions taken in these documents.

On the honourable member's point—and I say this with all due respect—if she turns to page 66 of the paper, Canadian Oil and Gas Supply/Demand Overview, I think that is what she has reference to when she talks about the so-called hard evidence with respect to a decrease in consumption or demand related to price. I would point out to her that's the opinion of the person who happened to write the booklet and that's not the type of evidence I'm talking about. I'm

talking about some objective statistical information that comes from jurisdictions that would—

**Ms. Gigantes:** No, that's not what I'm referring to at all.

**Hon. Mr. Welch:** But the member referred to this as the "hard evidence" that would dispel it.

**Ms. Gigantes:** No, I didn't. There is another document which was used as a briefing document before the conference. It's called Background to a New Energy Strategy.

**Hon. Mr. Welch:** That is what I'm using. All three are here. The authors of that are Energy, Mines and Resources. That's what they think is going to be the result.

**Ms. Gigantes:** Hang on. I want to look at the page you are looking at.

**Hon. Mr. Welch:** It's page 66.

**Ms. Gigantes:** You are looking at page 66 in Canadian Oil and Gas Supply/Demand Overview.

**Hon. Mr. Welch:** You could look at page 22 of Background to a New Energy Strategy.

**Ms. Gigantes:** I'm looking at figures 6, 7 and 8.

**Hon. Mr. Welch:** They are graphically portraying what they've said in words, I assume.

**Ms. Gigantes:** What's not "hard" about those figures and what do they indicate to you?

**Hon. Mr. Welch:** They indicate to me somebody who believes that has written that down and then has drawn a graph to show what it means.

**Ms. Gigantes:** You don't believe there's any relationship between the price of a conventional fuel and the amount people consume.

**Hon. Mr. Welch:** I say to you—and I have invited people ever since I have become the Minister of Energy—to show me hard evidence that would indicate there have been significant reductions in the demand for or consumption of energy related to price. That's all I've asked.

**Ms. Gigantes:** What does figure 6 show you?

**Hon. Mr. Welch:** Somebody in Energy, Mines and Resources has simply written it down and how they establish that.

**Ms. Gigantes:** I ask the minister what does it indicate. It indicates as the price of gasoline went up in 1977 in real terms, you could see a definite trend in consumption. It's marked in gasoline consumption per automobile in gallons. There is a direct relationship.

**Hon. Mr. Welch:** What has happened in the last four or five years with respect to price increases, or in the last six months?

**Ms. Gigantes:** I want the minister to understand, which I think he all ready does, that neither I personally nor my party nor probably the Liberals disagree with protecting the consumers of Ontario. When you take the position there is no conservation related to the increase in price of a conventional fuel, that seems to me in 1979 to be totally insupportable.

If you say you don't have the hard evidence, then show counter-evidence to what I consider is the evidence.

**Hon. Mr. Welch:** I guess we can. Just look at what happened since last May in this province. Go back and study what has happened since May until yesterday with respect to the price of gasoline. Show me how that has decreased our rate of consumption or demand for motor vehicle gasoline. It's as simple as that.

**Mr. Ashe:** It's gone up dramatically.

**Hon. Mr. Welch:** I know the honourable member shares the concern being expressed with respect to consumers. I only wish she would pause long enough to hear me out in this particular argument. I'm not saying there might not be a decrease. I'm talking about trying to lick this problem simply with the mechanism of price.

**Ms. Gigantes:** Nobody is suggesting that. That's a straw man you are setting up.

**Hon. Mr. Welch:** I didn't raise the question of what hard evidence there was that that would be the result with respect to price increase.

**Ms. Gigantes:** First, we have to decide whether you as Minister of Energy accept the fact when conventional fuels rise in price, people try to purchase less of them and try to use them more effectively.

**Hon. Mr. Welch:** I see no evidence of that as of today with respect to motor vehicle gasoline. In fact, the reverse is the case.

**Ms. Gigantes:** I think if you look for it, it's there. The information I have been able to glean from the Ministry of Energy—

**Mr. Ruston:** I've saved a lot of gas since last year.

**Hon. Mr. Welch:** Doing what?

**Mr. Ruston:** Buying the right kind of car.

**Ms. Gigantes:** —and also from the Ministry of Transportation and Communications indicates if the minister is not seeing that in the figures before him, it's because he hasn't looked behind those figures to see what's happening in that market.

**Hon. Mr. Welch:** I know what's happened to the price of gasoline since May of this year. I know what's happened with respect to the consumption and demand for gasoline.

**Ms. Gigantes:** Do you know why that is happening though?

**Hon. Mr. Welch:** I think my friend from Halton-Burlington does invite us and remind us not to get too preoccupied with price. I am not trying to suggest the points of the member for Carleton East are not important. But surely the point we are invited to consider is whether this whole preoccupation with price and all that's going on really hides or keeps us from some of the larger energy issues that face us as a country today.

**Ms. Gigantes:** Who has focused on price? That is the question.

**Hon. Mr. Welch:** I have no control over and I don't think anybody here would want this minister or any government to have control over the media's interpretation of the positions being taken by respective governments. How the Ontario position is being interpreted today, and I use the word "interpreted", rests with other people. I happen to know the Ontario position and I want to talk about that for just a moment.

If you really take a look at the Ontario position and make some comparisons with other jurisdictions, other than on two very important points, the question of tracking world price and the very point I have been talking about with the member for Carleton East about the relationship between price and conservation, if you take those two points aside just for the moment, you will find a very wide area of agreement in this country today on very important energy issues.

The Premier of Alberta spoke in the latter part of October in Vancouver and in the course of that speech set out, near the end of it, 12 points which he saw as crucial and critical to a national energy policy for this country in the 1980s. I haven't got it here, but I tell you that other than those two points I have just mentioned we have no trouble with what he points out as being absolutely essential. He talks about self-sufficiency and all these other matters that are very crucial to the overall and long-range policy.

I listened carefully to the Premiers of the various provinces of Canada speaking, and I found very little disagreement with respect to a number of issues. I heard Premiers who are advocating we go to world price say that's what they believe, "but." By the time they had finished with the "buts," I thought it was quite clearly the Ontario position. It just depends on how you are going to build. I say

let's develop a Canadian price in Canada related to some very important principles.

**Ms. Gigantes:** Who is arguing this?

**Hon. Mr. Welch:** I know you are not arguing it.

**Ms. Gigantes:** Why are you out there battling that battle? That's not what we are talking about.

**Mr. J. Reed:** May I get into this for a minute?

**Mr. Chairman:** Would you agree, Ms. Gigantes, to a supplementary from Mr. Reed?

**Ms. Gigantes:** Yes, certainly.

**Mr. J. Reed:** What you have demonstrated with this exchange is simply the worst fear I have harboured and which I have expressed publicly a number of times, that is, the other side of the energy question in the Ontario position has never been addressed, the supply side.

**Hon. Mr. Welch:** But we think we have.

**Mr. J. Reed:** Yes, I know you think you have been.

**Hon. Mr. Welch:** I invite you to read the documents.

**Mr. J. Reed:** You have said yourself that conservation is not triggered by increases in prices and so on. Let's accept that for the sake of argument, and I would acknowledge that a price increase to trigger conservation is very rough justice. It enacts great hardships on the people who can least afford it. If you recognize that price increases are not effecting conservation, while at the same time you recognize that conservation has to be effective—

**Hon. Mr. Welch:** Exactly.

**Mr. J. Reed:** —then it seems you have to address the problem of the supply/demand question which I think has been totally absent in this federal scene.

In the provincial position paper on energy security for the 1980s, you advocate a lower growth scenario to two per cent—

**Hon. Mr. Welch:** For total energy.

**Mr. J. Reed:** —yes, in total energy—and an increase in self-sufficiency, as you call it, in Ontario from about 20 per cent to 35 per cent.

**Hon. Mr. Welch:** From 22 to 35 per cent.

**Mr. J. Reed:** About 22 per cent to 35 per cent by 1995 or something thereabouts.

If we are to accept that as the successful outcome of this whole thing, we are indeed in deep trouble. We're in deep trouble if the only goal we can set is something that will happen by evolution, which is the 35 per cent

by 1995, which I think will evolve to that point by itself. It seems to me if we're going to make a contribution to the national energy self-sufficiency picture and do our share, then 35 per cent is zip. We should be heading for 75 per cent, and there are ways that we can do it. I'm astounded you feel that setting an actual goal of 35 per cent, which we've got to strive for by 1995, is going to address the other side of this equation. I don't believe it will.

**Hon. Mr. Welch:** With the permission of the member for Carleton East, we're not trying to suggest we're going to solve a national situation in that limited way. That's going to be Ontario's contribution. Ontario is very dependent on the importation of energy from outside its own boundaries.

**Mr. J. Reed:** You're darned right it is.

**Hon. Mr. Welch:** If we take together both our papers, where we talk in terms of energy self-sufficiency as a country, be it by 1990 or 1995, about which there is a difference of opinion in so far as our two jurisdictions are concerned, then there are two or three things we have to take into account.

First of all, there is the question of supply, that is, having energy available at any price. In other words, we've got to address this question of supply.

**Mr. J. Reed:** That's right.

**Hon. Mr. Welch:** We do that through exploration and further finds. We talk in terms of the oil sands development. We talk in terms of those new plants that have to be brought on stream. We talk about that in the total picture in those same papers. We have also to talk in terms of the demand situation, in other words, to address the supply situation. We talk in terms of the demand situation, which brings us into questions of conservation and about which, of course, we've had some discussion. Then we get into the field of substitution, or alternatives. They're all there.

**Mr. J. Reed:** I think the question Ms. Gigantes and I have—I may have misinterpreted what she said but I think she was asking if we can enact conservation—is can we do all the things about the supply side of the equation we know have to be done without increasing the price?

**Ms. Gigantes:** No, that wasn't the question I'm asking, but if you want to pursue it, that's fine.

**Hon. Mr. Welch:** Let's pursue that question then.

**Mr. J. Reed:** Okay, let's pursue it.

**Ms. Gigantes:** Let me agree with you on this, Mr. Reed. It is important the minister

and the ministry accept the fact, which is well-known and established in figures in Canada and in figures in other countries, that when the price of a fuel that people use day after day goes up, people try to buy less of it. Sometimes they can succeed, depending on what alternatives they have, and sometimes they can't.

We've seen it in the electricity field. That is what has caused people to buy fewer kilowatt hours. The price has shot up. We know that's what's happened. When we look at the figures, even the figures you've published in the Ontario Energy Review, it's quite clear the increase in the price of gasoline has not been much faster than the increase in the consumer price index in an area like Toronto. I refer you to Ontario Energy Review, page 25.

[3:00]

I was alarmed by the growth in gasoline use reported earlier this year. It was 2.7 per cent for Ontario. I thought, good grief, with this new fleet of cars we're supposed to have on the road, we should be getting energy efficiencies out of the input of smaller cars into the fleet. Instead, we see two elements at work. If you look behind those gross figures, it's a question of looking at the elements of the demands. I think that's where the ministry really has to put in some effort.

The cost of small cars in Ontario and in Canada has just shot up over the last two years. I don't have figures on purchases of second-hand cars, but I expect an awful lot more people are buying second-hand cars, which don't have the energy efficiency of the new models, because buyers simply can't afford the new ones. As of July 1979, the average Japanese auto cost \$6,451. I hear there are dealers who can get up to \$10,000 for a Volkswagen Rabbit. People can't afford these cars, so they're using old ones, as I am myself. I'm driving a 1968 Volvo I bought second-hand—

**Mr. Ruston:** Buy Canadian. They'll be cheaper.

**Ms. Gigantes:** —because I simply can't afford to go to the market and pay those kinds of prices for a car I prefer to have. The other thing you have to do is go behind the gross demand figures again, and look at the elements of that demand.

Certainly, we know the increase in the price of gasoline has been dramatic but the increase in the average income has also been dramatic. I am referring to one sector of our population that includes an awful lot of people whose incomes have not risen at the average or above-average levels and who can't

cope with the effect in the marketplace of the increase in gasoline costs. I think you have to take the figures the federal government is producing, which have been persuasive to the media. You can't scoff at that. I'm not talking about media management; I'm talking about common sense.

If you look at the real change in the power of the dollar; if you look at the real change in the cost of gasoline; if you look at the real change in average incomes and if you look at the cost of a new fleet of cars that we're looking forward to getting on the road, you start to realize why there is a 2.7 per cent increase in the use of gasoline. It's not because people don't care about the price; it's just the best they can manage to do with the inputs behind those demands.

What the ministry has to do is go behind those gross figures and ask why is this happening. How can we help influence this? What measures should the ministry be taking, first of all, to make sure that if we maintain the price of gasoline—it's not going to happen, but suppose the Premier got his way in regard to the \$1 increase in a barrel of oil on January 1—what is going to be the effect of that? It may be counter-productive in terms of those very important goals of trying to achieve energy self-sufficiency in Ontario.

It's just unacceptable for the Premier and for you to say, "We're not convinced there's a relationship between price and consumption. We don't think that maintaining a constant price or a very small increase in the cost of petroleum products is going to undercut our attempts to have the population of Ontario conserve conventional fuels." Of course, it's going to undercut it.

If you're going to argue we should have a Canadian price, I agree. If you're going to argue we have to protect consumers and industries in Ontario, I agree. There is nobody who disagrees in the Parliament of Ontario or indeed in Ontario. You'd have to be some kind of masochist or sadist to disagree. At the same time, it means you've got to redouble your efforts in the area of conservation and in encouraging the kind of technological developments and the ability of people to get new cars which are going to be energy-efficient into our existing car fleet.

**Mr. J. Reed:** If I could add to that, here is the conundrum you're faced with on the price thing. The minute we begin to talk about alternate fuels, some of the greatest critics of alternate fuels say, "We don't have to worry about that. Fuel alcohol is far too expensive. It's not economical at this time."

In other words, what we do is retard the introduction of those alternates, unless govern-

ment steps in and intervenes with a will. If we're able to keep the price of gasoline down, that's fine. But let us understand what the real world is in terms of petroleum, prepare to move into the future and not take the blind man's position or the Alice in Wonderland position which is a better phrase, that we've been able to have fuel at a "sale" price. One day, suddenly, some of these alternates which under these circumstances are not feasible, may have to be developed very quickly.

**Hon. Mr. Welch:** You're talking about the economics of it?

**Mr. J. Reed:** Yes. I'm not expressing it very well. What I'm trying to say is the government is going to have to realize where its position, regarding active participation in these developments, will come. Studies like your alcohol study, which declared unfeasibility, should be done in the light of the real world and not in the light of something you are temporarily able to achieve.

**Hon. Mr. Welch:** I'm wondering if the member for Carleton East would help me to better understand her point of view. There are many of her statements I don't disagree with at all, but I would just like to know what it is we disagree on, in order to better understand the points she has been making.

**Ms. Gigantes:** It's pretty important when you, as Minister of Energy, say you've never seen hard figures that indicate there's a relationship between cost and consumption.

**Hon. Mr. Welch:** I don't change that position because I haven't. Seeing them in a book put out this way, without any quotations with respect to independent studies, doesn't make them hard figures.

I ask this question quite honestly. I want to understand your position better. Are you advocating a higher price in order to accomplish a reduction in demand?

**Ms. Gigantes:** No, I am not. What I am saying is when the Premier of this province goes to the federal level of discussion about prices and argues for a position that everybody in Ontario supports, he has to indicate, in order to be persuasive to the federal government, and particularly to Alberta, that we do think there is a link. If you go out in public from the government of Ontario and pretend there's no link between price and consumption, people dismiss that and say; "Ontario is just oinking away in its usual way. We're not going to listen to these pigs any longer. They say they want to conserve but they refuse to recognize that people actually do buy less."

We've had it proven with electricity here in Ontario. If you want proof, go and ask the forecaster at Ontario Hydro. He'll tell you.

**Hon. Mr. Welch:** I'm speaking today to the member for Carleton East as a member of this committee against the background that the price of motor vehicle gasoline in this region has increased by 12 per cent in this year alone.

**Ms. Gigantes:** Yes.

**Hon. Mr. Welch:** Consumption is up, not by 2.7 per cent as the member says, but by 4.4 per cent. That's really hard evidence of the fact that as the price goes up, consumption goes down. Isn't it?

**Ms. Gigantes:** You're talking about the first 10 months of this year?

**Hon. Mr. Welch:** I'm talking about 1979 less whatever is left.

**Ms. Gigantes:** I would like to see those figures. Certainly, until the time you published those figures in your October energy backgrounder, if you look at the slopes of those curves, you're not going to disagree with me that the rate of increase in the price of gasoline was not any greater than the rate of increase of the Toronto consumer price index.

**Hon. Mr. Welch:** Perhaps we should simply agree to leave our statements on the record the way they are now and go on. What is your formula for conservation?

**Ms. Gigantes:** Number one, you have to look behind those figures. You can't say to yourself as minister you know the increase has been 12 per cent though people are still increasing their consumption by four per cent. You have to look behind those figures to see what is creating that extra demand. That should concern you. What's creating that demand? How do we help overcome those impediments to conservation?

I will say it one more time and then leave this point. If you are going to argue at the federal level look reasonable and look as if you are not just pulling an old political hat trick on Ontario's behalf, you are going to have to say to the federal government and to Alberta, "We know if the price of oil goes up, people are going to try desperately to buy less." Once you have said that, you have established a much more reasonable first position for Ontario.

Then your second position is that we are going to have massive difficulties in Ontario if that price increases too fast. The Premier put that position very well and very tellingly indeed. I was proud as I watched him. I thought he put that in an excellent way, but he was undermined by this fallacious kind of—

**Hon. Mr. Welch:** The point you are making is it was a credibility problem.

**Ms. Gigantes:** Yes, a real credibility problem.

**Hon. Mr. Welch:** I don't agree with it, but I understand your point of view better now.

**Ms. Gigantes:** I am sure you wouldn't agree in public, but I would like to see you change the policy.

The second thing is what do we do now. You have talked about income support for people who are going to be hardest hit, but you are waiting to see what the federal budget is going to do. If the federal budget keeps pace with how people on low incomes in Ontario are going to get hit, I will be surprised.

The minister talks about what is going to happen to Ontario's industry. That is a very significant problem. I don't see proposals from this government in place in terms of income support or of a conservation policy and financial assistance for conservation or of a policy designed to aid industry in conservation efforts, a really well-established, well-laid out and well-financed system of loans to help Ontario meet the problems that are obviously going to be created for this economy. They are gross problems. You can't afford to sit there and say, "They are gross problems, but we will wait for the federal budget somehow to deal with them." For six years—four years since I have been here—we have had a Ministry of Energy, but we still don't have these programs in place.

You talked in such lovely terms this morning in your opening statement about taking initiatives here and providing leadership there. But we still don't have a goal for 1980 or programs for private industry or residential home owners and tenants to help them with their energy costs or help them to conserve.

I don't think you can afford to go to the federal level and discuss our supplies while you are arguing about price on such a tenuous basis. You can't expect other people in Canada to take us seriously when we don't have in place the programs other provincial governments have.

**Hon. Mr. Welch:** Surely the province of Ontario has been pleading the case in the course of the present round of discussions much along the lines the member for Carleton East says. It is clear Ontario has recognized that higher costs of production are going to result in higher prices and has taken the position too that as far as accomplishing many of the things that are to be accomplished, the consumers are going to

have to pay. Keep in mind with respect to this matter, unless we take a position on some of these things, five years from now we will be talking about the fact that we should have had some of these things in place five years previously, in much the same way the member for Carleton East takes the position that some of these questions have been left unaddressed for too long a period of time.

What is Ontario saying? Ontario is saying keep in mind there is a deal in place already. It calls for a \$1 a barrel on January 1, 1980. We want that deal honoured before there is any further increase. Keep in mind that before there is any further increase, which under normal circumstances would not come until July 1, 1980, we want to see in place a plan covering many of the things to which the honourable member makes reference. We want to see that national energy plan.

**Ms. Gigantes:** You want a federal plan to create an Ontario energy policy.

**Hon. Mr. Welch:** Where are we going to find more petroleum?

**Ms. Gigantes:** What are you going to do about demand for gasoline?

**Hon. Mr. Welch:** I am doing something which I shouldn't be doing. I should be going through the chair and also getting a bit excited.

**Mr. J. Reed:** Don't do that.

**Hon. Mr. Welch:** Please listen. We are talking about a plan which would involve the establishment of a fund that would help with respect to programs of conservation and renewables.

**Ms. Gigantes:** A federal plan.

**Hon. Mr. Welch:** We are into a joint program with the government of Canada now on some things.

**Ms. Gigantes:** We have got to look after that. You can wait forever on the feds, especially if you start out with a bad argument.

**Hon. Mr. Welch:** Keep in mind that with an increase in price the consumers of Ontario are going to be investing that much more money in the cost of their energy. We want to see some of that put into these developments and programs to which the honourable member makes reference. That's why we are talking about taking another look at what is to happen to the revenues and what is to happen to the development of an economic policy related to this matter. The honourable member knows that in her heart of hearts. She knows what we are

talking about. The people of Ontario are going to benefit from that.

**Ms. Gigantes:** You are talking about a federal program for creating an Ontario energy policy.

**Mr. J. Reed:** This is getting more like a revival meeting all the time.

**Mr. Charlton:** Mr. Chairman, perhaps I could have a supplementary on this. The minister is missing the point my colleague started to make. You can't take figures on energy consumption and deal with them in isolation with regard to price. You cannot look in isolation at the hard figures, as my colleague refers to them, or the misleading figures, as you say.

**Hon. Mr. Welch:** I didn't say misleading. They are a point of view.

**Mr. Charlton:** All right. At any rate, you can't look at them in isolation, as if the cost of gasoline is the only thing that's going up. You have to look at them in terms of an economic perspective of what else is happening in the field of automobiles which will affect gasoline consumption. There are a number of examples which my colleague tried to make and which I will try and make a little clearer.

I think the minister will agree for a considerable number of years the purchase of subcompacts was going up. Recently, the purchase of subcompacts has been declining. Why? You have to look at that as part of the overall question as to why consumption increases while costs for gasoline go up 12 per cent. Why are purchases of new subcompacts declining? They are declining because of what's happened to the price of our dollar, what's happening to the yen and what's happening to the mark, which is also what my colleague was referring to. Mr. Ruston shouted a comment during that earlier exchange about buying a North American car.

**Mr. Ruston:** Make a note that I don't shout, Mr. Chairman.

**Mr. Charlton:** You have to recognize that all our North American subcompacts are built south of the border, so we are even affected by the differential between the Canadian dollar and the American dollar on that side of the coin. You have to look very carefully at all of those economic factors behind the gasoline price that affect the same sector.

If instead of buying a four-cylinder car built in the United States, which boosts the price by 15 per cent because of currency exchange, one can buy a Canadian-built six-cylinder or a small eight-cylinder car and

can actually get the six or eight at a lower price, then there is an economics of saving the consumers in this province will apply to themselves.

What my colleague is saying about demands, as opposed to supply, is that you, as Minister of Energy, should be looking at what this government can do to effect those other economic things that affect the demand for and consumption of gasoline.

What this government can do in terms of hammering out federal government policies or policies of its own, that could be applied at the provincial level to encourage the production of four-cylinder cars in Ontario and other things along that line, also has to be looked at as part of energy policy.

**Mr. J. Reed:** We have spent quite a bit of time on this federal-provincial thing. I wonder if I might extend this a little further. I would like to make what I think is a rather interesting observation. In 1978, California's car-buying pattern and gasoline-purchasing pattern followed the same course for reasons I don't know. It just happened that way. In 1979, they were lined up at the gas pumps.

**Hon. Mr. Welch:** They aren't now.

**Mr. J. Reed:** They started again the day before yesterday on the orders of the President with the every-other-day stuff.

**Mr. Charlton:** It won't be long before the lineups reach our border either.

**Mr. J. Reed:** There is one point I want to make about conventional fuels. If we recognize we are going into the world of unconventional fuels, which will ultimately become conventional—and obviously the ministry has expressed a certain seriousness about doing that—I would suggest to the minister, which is what I tried to say before, what the ministry must be doing now, regardless of the price it is able to extract in terms of petroleum for Ontario, is to proceed as if the price was much higher.

It should proceed as if we were in a situation similar to that in Europe, at least parts of South America, Asia and so on. That is where the majority of world reality sits at the present time. If we are going to bring these alternatives on line, we have got to put a factor in when we are considering whether or not some of these more esoteric alternatives are appropriate.

On another aspect of conventional fuel, thinking particularly of petroleum, the question is whether or not in terms of transportation we should be using it at all.

I was very impressed with the editorial comment of Mr. John Bates, who is the

publisher of Buck and Truck and Buck Transport—Buck and Trust Transport.

**Hon. Mr. Welch:** What kind of a transport would that be?

**Mr. Acting Chairman:** Do you want to start that one again?

**Mr. J. Reed:** That should help your hernia. Bus and Truck Transport. There are a few very interesting paragraphs initially in this editorial. He says, "Just about the only thing we can be certain of when we discuss oil reserves is that nobody knows how much oil there really is. Nobody knows if we are getting the straight facts. If you listen to the oil cartel, you would be convinced we are going to run out next Thursday at the very latest, but almost nobody else talks that way."

"Listen to F. Alan Smith, president of General Motors of Canada: 'We feel that adequate energy sources are available. Petroleum will be available for most of the next century.' He is not talking about this century, but next century. Now listen to Peter Odel, energy adviser to the British government: 'There are ample crude oil supplies to last the world well into the next century.' And he goes on to say, 'Since I don't believe anything the oil industry says any more, I have to believe those experts who have no axe to grind. There probably is lots of oil available, but the question becomes whether or not we should be using it at all, even if supplies are plentiful. The answer to that one from the entire scientific community is a flat out 'no'."

Since we are faced not only with problems of supply but also in Ontario with alternative potential, I would suggest to the minister that the most serious consideration be given to a point of view which, ultimately, would take petroleum out of the area of simple combustion and use it as a more valuable tool in the economic system, that is, as a petrochemical. We all know the world turns on oil and we need it for far more than the internal combustion engine—the medicines, the clothing, the tires we drove on this morning, if we drove in, the plastics on the inside of our cars and all that kind of thing. It makes this statement really valid—and also with respect to longer term things like environmental impact and so on.

In Ontario one of the great blessings we have here is an option for alternatives that many other areas of Canada and North America do not have. We have an opportunity to produce a combustion fuel which is not made from petroleum. We have an opportunity to lower the environmental im-

pact by that production. We have an opportunity to employ people in Ontario through that kind of production. We have an opportunity to become world leaders in the development of that kind of technology through Ontario production. We have, in the final analysis, a great opportunity to make the big contribution to Canadian self-sufficiency in energy, which I think is the direction we ultimately should be going in. That is all I will say about that.

I would like to deal with another area of fossil hydrocarbons if I could. That is gas, which is going to be so important to Ontario in the next 10, 15, 20 or 25 years. The obvious need now is to enlarge the infrastructure for gas in Ontario.

It concerned me a bit when the member for Carleton East was talking about the opening statement where it referred to assistance to the gas industry. It all seems very nebulous and yet I know there is a big need. I know there is a very profound need right now in western Ontario to get lines 15 or 20 miles or 25 miles from where they are in order to expand the infrastructure. It is the kind of thing that is going to have to be attacked very, very vigorously, I would suggest, this fall and this winter, Mr. Minister.

Gas does, admittedly, reach over half of the homes of Ontario at the present time—at least potentially it can. We saw the figures to show how many more conversions there can be—about 800,000. But I would urge the minister, in terms of the gas infrastructure, not only to take a position on the unlocking of the price but vigorously to go after whatever kind of assistance is required—whether it is over-the-hump assistance or whatever it is—in order to get the stuff in place and get it on line. I am very concerned about that.

**Mr. Laughren:** Don't you have a program called over-the-hump assistance now?

**Mr. J. Reed:** And down the other side?

**Hon. Mr. Welch:** I thought that was a railway expression.

**Mr. Laughren:** I think it is.

**Mr. J. Reed:** The rarefied world of uranium is something I would like to touch on too, if I may.

**Ms. Gigantes:** Could I ask your guidance, Mr. Chairman? If Julian is willing, I am quite willing to go at the thing topic by topic and raise what questions we want to raise. But if he is going to leave natural gas, there are still questions I would like to ask.

**Mr. J. Reed:** I'm quite agreeable; go ahead.

**Ms. Gigantes:** Some of the questions will obviously come up during our discussion of regulation, but—

**Mr. Acting Chairman:** Your questions can be supplementary. We don't care.

[3:30]

**Ms. Gigantes:** —I think there are other policy questions of a broader nature which I would like to pursue at this time if I could.

When I look at Canadian Oil and Gas Supply/Demand Overview from Energy, Mines and Resources in November 1979, and look at the February 1979, Canadian—it is page 32, table five, NEB case forecasts, the supply and demand for marketable natural gas. What that table involves, as far as I can understand it, is a new projection of how much natural gas they consider marketable, principally out of Alberta, and the identification of what is called "exportable surplus". We see those optimistic figures called "exportable surplus" projected until the year 1995—15 years from now—when it becomes a deficit. Fifteen years away we will be into a deficit of natural gas.

We have run into that kind of projection before. I remember in 1975 how earnestly we were told by the federal government and also by the Ministry of Energy staff how we would run out of natural gas in Canada by 1981. Clearly the price hike has brought forward new identification of marketable natural gas.

There is a question here which has been pursued in question period and which you have touched on in various public comments you have made recently. The most recent, I guess, was your speech in Alberta to the Canadian Energy Conference in which you talked about the Ontario acceptance of exports of natural gas in principle, provided Canadian domestic requirements had been assured.

I would like to know why you accept "in principle," and I would like to know what information is available to the Minister of Energy of a concrete nature which indicates to him Ontario should, in principle, support exports of marketable natural gas. I will ask for your response because I really do want to know. It seems to me Canadians as a whole and Ontarians in particular are very, very leery of any suggestion that we export one ounce more of any fossil fuel. Is there specific information on which the ministry bases its "in principle" support for the export?

**Hon. Mr. Welch:** As the honourable member will know the National Energy Board, which has jurisdiction as far as this matter is concerned, has not really come down with

its decision yet with respect to natural gas export.

**Ms. Gigantes:** Perhaps you could describe to us where that process is now, as far as you are concerned.

**Mr. Rowan:** If I may comment, Ms. Gigantes, there was a hearing before the National Energy Board on the export of natural gas. That hearing took place in the early part of this summer. It is our understanding the board will be coming out with its report in the next week or two. It will be a report which will be looked at by the governing council—that is the federal cabinet. It will make recommendations with respect to whether or not there ought to be any natural gas exports. We anticipate they will be identifying the level of exports and the time period over which those exports might be made. It will be up to the government of Canada to determine whether those exports do take place.

The government of Ontario and the Ministry of Energy appeared before the National Energy Board earlier this year. If you recall, you requested a copy of all of the solutions the Ministry of Energy had given to the National Energy Board and I believe you have that copy. Our submission with respect to the export of natural gas was one of those documents which was provided to you either yesterday or early today, I'm not quite sure.

**Ms. Gigantes:** That's GH4-79?

**Mr. Rowan:** Yes, June 8, 1979.

**Ms. Gigantes:** I'm looking at it. I'll read from that if you wish to discuss that now.

It says on page four of that submission: "It would appear from the evidence that using the board test and the proposed five-year export term an exportable surplus does exist. Ontario would also agree that the expected improvement in Canada's balance of payments, incentives to the provinces and other related economic activity probably outweigh the possibility of Canadian consumers having to pay for more expensive frontier gas earlier than expected in the future."

I'd like to know what you use as backup for that judgement. Do you have ministerial documents that describe how you've analysed those judgements?

**Mr. Rowan:** First of all, you have to appreciate the process which is gone through in a National Energy Board hearing, the way in which the board calls for evidence and the way in which evidence is presented to the board by the various proponents and opponents of applications, such as this one to export natural gas.

It is our practice to receive all of the information which is presented to the board by proponents and opponents, to review this information and to make judgements on the basis of it. The board itself makes judgements on the basis of its understanding of what is going on in Canada, who is presenting the evidence and the kind of evidence presented.

**Ms. Gigantes:** When you receive the documentation that goes before the board from other interveners or an applicant or two applicants, does the ministry then sit down and do its own analysis of that information?

**Mr. Rowan:** Perhaps I should explain it this way: when we anticipate a hearing coming up before the board, a determination is made within the ministry as to whether or not the province of Ontario has an interest in the proceedings.

**Ms. Gigantes:** I'm assuming you have an interest.

**Mr. Rowan:** The ministry then seeks cabinet approval to intervene before the board. Internally within the ministry we bring together the people who are most knowledgeable in the area, our own senior advisers—on natural gas in this case—our executive coordinator of conventional energy, our legal counsel. If the case calls for it we get outside consultants to assist us in the evaluation of information which may be presented to the board.

**Ms. Gigantes:** Did you do that for this application?

**Mr. Rowan:** That is correct. That is the process I've just described.

**Ms. Gigantes:** Who did you use as a consultant?

**Mr. Rowan:** We used Mr. David Furlong, who is a well-known and reputable consultant from Ottawa. He's been in the petroleum industry for many years.

**Ms. Gigantes:** Did he produce papers for you?

**Mr. Rowan:** He reviewed the documentation, and on the basis of weekly meetings that the ministry had internally, we decided on the appropriate course of action, including this closing argument which we submitted on behalf of Ontario.

**Ms. Gigantes:** Was he involved in the preparation of the preliminary document?

**Mr. Rowan:** Yes, Mr. Furlong was involved in all stages of our preparation and submission to the National Energy Board.

**Ms. Gigantes:** When did you first receive from that hearing material on which you could do assessment work?

**Mr. Rowan:** Oh, I couldn't give you that information from memory, but we would be very happy to supply that date to you.

**Ms. Gigantes:** I asked that because in the preliminary submission, I note—I guess that's April 1979, is it? The preliminary submission? The covering letter.

**Mr. Rowan:** Yes, I believe that that is the date. Again, this is part of the process which the National Energy Board follows. Those parties with an interest in the proceedings have to file with the board for an expression of that interest, so they then become registered with the board—if I may use that expression—and then become eligible to receive, on a continuing basis, information which any of the applicants may submit to the board.

**Ms. Gigantes:** Would most of the information have been filed by the time this preliminary submission was made?

**Mr. Rowan:** No, not at all. As a matter of fact, during this particular hearing, many documents were submitted quite late in the process—quite late.

**Ms. Gigantes:** And there was no submission made beyond the closing argument which we have here?

**Mr. Rowan:** None whatsoever, no.

**Ms. Gigantes:** Well, perhaps I could ask you, did Mr. Furlong produce working papers for the ministry that would back up the judgement contained in paragraph two, on page four of the closing argument?

**Mr. Rowan:** As I indicated, we assessed the evidence which was put forward on a weekly basis. We made judgements on the basis of that evidence and came to a consensus as to what was in the best interest of the province, based on those judgements. So, in terms of detailed reports the answer to your question is no, but in terms of detailed discussions on a weekly basis, the answer to your question is yes.

**Ms. Gigantes:** The reason I ask is that with a statement such as, "Ontario would also agree that the expected improvement in Canada's balance of payments . . ." was that calculated?

**Mr. Rowan:** I think that is easily calculated—

**Ms. Gigantes:** Incentives to the provinces?

**Mr. Rowan:** Incentives? Well, you have to keep in mind it is not just a matter of exporting gas that was being proposed. There were complementary initiatives such as the northern border pipeline, whether or not it was in Canada's best interest to undertake the pre-

building of the Alaska Highway pipeline, and export this deemed surplus of natural gas to the United States through that prebuilt pipeline, with some guarantee that the prebuilt pipeline would be a first phase of the Alaska Highway pipeline. I think there is quite a lot of information available and we'd be very happy to provide it to you as to the industrial development benefits which would accrue to Canada, and in particular to Ontario, through either a prebuilding of a northern border pipeline or the Alaska Highway pipeline.

Incidentally one of the other alternatives which was proposed was the looping of the TransCanada Pipe Lines system. This would put the additional volumes of deemed surplus through the TransCanada system and export it to the United States through the more traditional export points in the TransCanada system. There were many different projects which were proposed by various proponents associated with the actual export of natural gas.

[3:45]

You have here a blending or a need to balance the industrial development potential which may accrue to Ontario from any one of these projects, in addition to the quite easily calculable dollar exports and therefore improvements in Canada's balance of payments that might come from the export of natural gas.

**Ms. Gigantes:** So you would have been, in some part of that analysis, weighing off the benefit to Ontario of a pipeline manufactured against the long-term natural gas supply to the province?

**Mr. Rowan:** Yes. Keeping in mind that one has to always remember that what may be in Ontario's view an appropriate period of time for a secure supply of natural gas may not be shared by the federal government, Alberta, Saskatchewan, or British Columbia.

**Ms. Gigantes:** I think we are all aware of that.

**Mr. Rowan:** I think we have been more instrumental than any other province in impressing on the National Energy Board and the government of Canada the need to assure the long-term supply of Ontario consumers, in so far as natural gas is concerned.

**Ms. Gigantes:** When I read this final argument, which seems to be the basic piece of information, the basic submission which the Ontario government has filed with the NEB concerning this export, if I were sitting in the NEB seat, I would say, "Ontario is not going to get into a big fuss on this if we

want to go and export." That is my reading of it. As I understand the comments of the deputy minister now, that is basically Ontario's last whack at it. Unless we want to go into Ottawa for another first ministers' conference on this subject, Ontario has taken its final kick at this can.

I must say in five pages it hasn't put the concerns I think most people in Ontario would feel about long-term availability. When I am talking about long term, I am talking about 15 years of natural gas supplies that might be available to Ontario, among others.

**Hon. Mr. Welch:** Mr. Chairman, the honourable member is entitled to come to her own conclusions on the basis of the argument as she reads it, and as she interprets it. Certainly I wouldn't agree that that is the emphasis we place on our arguments. I would draw her attention to page seven of the energy security paper for the 1980s, setting out our policy on price and supply, indeed, re-emphasizing what the deputy minister has already said. We are not talking about a 15-year test, we are talking about a 25-year test, but we are also talking about—

**Ms. Gigantes:** Oh, yes, but we are looking at estimates here that say by 1995 there will once again be a deficit. It may well be that there will be new natural gas but it may have to be frontier gas.

**Hon. Mr. Welch:** Yes, but we also make it quite clear that that shouldn't be taken into account by the National Energy Board when it is making its determination; we should not be putting that into the calculations.

**Ms. Gigantes:** Putting what in?

**Hon. Mr. Welch:** The frontier gas. We make it quite clear that Canada's natural gas supply forecast should not include frontier natural gas until it actually becomes available, keeping in mind the NEB test. I think it is important to say this.

**Ms. Gigantes:** Mr. Minister, would you look at page 32, please?

**Hon. Mr. Welch:** We talk about the National Energy Board, the current reserves test, the current deliverability test, and the future deliverability test.

**Ms. Gigantes:** Are we looking at page 32, table five, NEB case forecast? These are the February 1979—

**Hon. Mr. Welch:** Now wait a minute, are you talking about the NEB case forecasts? Or the Ontario position that is—

**Ms. Gigantes:** First, I want you to take a look at what the NEB says in February 1979 about exportable surplus of natural gas.

**Hon. Mr. Welch:** Mr. Chairman, I am not going to be dissuaded. I am here to answer any questions that I am asked.

**Ms. Gigantes:** Yes?

**Hon. Mr. Welch:** You cannot switch over now without making it quite clear on the record. You are asking me whether or not the Ontario case is forceful enough actually to support some of the things we have been saying. I am trying to suggest to you what our position is. Now you want me to comment on—

**Ms. Gigantes:** Page 32.

**Hon. Mr. Welch:** —some NEB meeting which is unrelated to the other question, I take it.

**Ms. Gigantes:** No, I consider it related.

**Hon. Mr. Welch:** We say as a province Canadian consumers should have their long-term, 25-year requirements of natural gas supply protected by means of an appropriate formula. We also say we should not take into account the frontier matters with respect to that at the moment.

**Ms. Gigantes:** If I could beg your indulgence to look at page 32, under the sidebar there, near the bottom, "exportable surplus," by the time we get to 1995, using its projections as of February 1979, the NEB predicts there will be a deficit.

**Hon. Mr. Welch:** With relationship to 1980 to 1995, that is 16 years or somewhat less.

**Ms. Gigantes:** That is only 15 years.

**Hon. Mr. Welch:** Can you explain that, Mr. Rowan?

**Mr. Rowan:** What I would like to do is to come back to you in a very few minutes, once we have had an opportunity to review this particular table. I think it is quite clear in our minds and in the mind of the National Energy Board there would not be a deficit that would result in the Canadian domestic market being unable to receive natural gas for a period of 25 years.

**Ms. Gigantes:** I agree. But if you look at those figures, I'm sure when the NEB looks at 1995 it doesn't want to end up with no natural gas or minus 556 billion cubic feet by 1995. Surely one would suspect it is at that point frontier gas is expected to come on.

**Hon. Mr. Welch:** Of course, there may be another way of asking your question, which is not for me to do, but does that chart mean the National Energy Board sees a deficit in 15 years, using that particular test?

**Ms. Gigantes:** Yes. That's right.

**Hon. Mr. Welch:** I think that it is a reasonable question to ask, in view of the fact we take the position we should have—there are two things—a 25-year supply in place and, in making those calculations at this time, we should not be including the frontier gas.

**Ms. Gigantes:** I cannot remember at this stage, though I should have looked it up, the old formula the federal government used for permitting oil exports. Was it not a 30-year supply?

**Mr. Rowan:** The formula was a 25 A-4, which doesn't appreciably differ from the present one. However, the Alberta formula, which was a rolling average of a 30-year protection of its provincial requirements, has been modified to coincide with the 25 A-1 formula which the National Energy Board is now using.

Essentially what it means is that under the 25 A-4 formula you project out four years and then you straight-line it for 25 years. That is the way you would estimate the demand.

**Ms. Gigantes:** I would like to remind the Minister of Energy—and he will recollect it most readily, I am sure—there was a shock in this country and in this province in 1973 when there was a sudden adjustment of what I guess you would call exportable surplus, not to say domestic supplies, of oil available for Canada and for Ontario. The use of these kinds of formulas on oil has probably, in the estimation of most people who live in this province, not been adequate to protect the long-run best interest of the consumers of this province or indeed the industrial base of this province.

I would ask the minister to reconsider, if it is not at this stage too late, the very flexible position that is advanced in these submissions to the NEB concerning exports of natural gas. I would also ask him to be wary of supporting proposals for an eastern pipeline that include an export potential. I think most consumers and most industries in this province would be outraged if they understood the Q and M proposal is, among other things, an export proposal. I don't think that is generally understood by the public of Ontario. It is something we would expect the Minister of Energy in Ontario to look at very closely.

I don't think it is only a question of economic feasibility and a guarantee that existing consumers of natural gas in Ontario will not pay a higher price under any proposal for an eastern pipeline expansion, but it is also a question of the export component

built into those proposals, which we would hope the Minister of Energy would look at very closely before lending his support to the current applications.

**Hon. Mr. Welch:** It is my understanding the National Energy Board has postponed the hearings with respect to the Quebec and Maritime extension.

**Ms. Gigantes:** It is my understanding too.

**Hon. Mr. Welch:** I think the concerns you have expressed are legitimate concerns. Perhaps at this stage, I would want to reiterate in so far as we are concerned and without going into the details of the wording, which has perhaps led to other interpretations, that it is my understanding and my colleagues and I have made it quite clear that we were to intervene. The point that was to have been made on behalf of the people of Ontario was that additional natural gas exports to the United States should only be considered when Canada's future energy needs had been assured.

**Ms. Gigantes:** I sympathize with the difficulty you may find yourself in now that the NEB hearings are close to reaching a decision point, but I think it is important for you to look at this question once more, because this submission does not have the quality, let me suggest to you, of the recent documents you have given us in Ontario. It doesn't have the background analysis and it doesn't have the facts and figures. It has a kind of rule-of-thumb approach and a kind of optimistic flexibility in attitude which is not of the same quality as some of the more recent documents your ministry has produced for us and which you have delivered.

**Mr. J. Reed:** I just have one brief question about uranium. Now that the growth rate is doing what it is doing in the electric power system and now that we are into another set of reductions, obviously, in terms of the construction program and so on, what is the government doing about making recommendations to Hydro regarding the contracts with Denison and Preston, understanding that they are going to have to move some years in advance in order to allow reductions in the take-or-pay situation they are faced with?

**Hon. Mr. Welch:** I may not be able to comment on that particular question except to say that perhaps your assumptions are not necessarily agreed to at the moment as to what decrease there might have to be. However, I appreciate your question.

**Mr. J. Reed:** When the contracts were made, we were still working on a higher

growth rate. Now we are working on a lower one. The direction seems to be lower still and we are going to be left holding the bag.

**Ms. Gigantes:** The world price is going down.

**Mr. J. Reed:** Yes. The world price is going down.

**Hon. Mr. Welch:** They are all based on Darlington's proceeding, I take it. There are other assumptions that are built into those contracts as well.

[4:00]

**Mr. J. Reed:** That's right.

**Hon. Mr. Welch:** Since the members have expressed some interest in this question, knowing that we will have Hydro with us, we could perhaps get better prepared to comment on that when they are here.

**Mr. J. Reed:** All right. Then let me ask a question before we wrap this part up. Has the government, to this point, had input with Hydro regarding those contracts and regarding future prospects for those contracts?

**Hon. Mr. Welch:** I am advised by my deputy that there were some general discussions but there's nothing of a specific nature at the moment. It depends on some of these other considerations you have been making reference to. Perhaps the deputy would like to comment on that further.

**Mr. Rowan:** Obviously when one takes a look at the various events that are taking place, recognizing there are contracts like these in place it is natural to want to refresh one's memory as to the details of the contracts.

We, like Ontario Hydro, are interested in the way in which the demand for uranium will unfold. We have, as part of our regular meetings with Hydro staff, discussed in the context of fuel supply, the present stage and the working out of those contracts. We had some general discussions with them as to whether they foresee any problems in terms of having more uranium than their projected requirements might suggest. At this time, we have had no indication from Ontario Hydro that they foresee any difficulties. However, as the minister has said, this may be an issue you might want to raise specifically with Ontario Hydro.

**Mr. J. Reed:** Yes, I will raise it specifically with Ontario Hydro. The reason I am raising it is the Premier (Mr. Davis) gave his final approval to these contracts and a great deal of front-end money went to both Denison and Preston, more to Denison than Preston. Whether we buy another pound of uranium or we don't, or whether our physical pur-

chases are 50 per cent of what they were or whatever, we still have to write in the full amount of front-end money into those purchases. It is going to make a very interesting and, I suspect, embarrassing situation as the load growth diminishes. We can talk about the world price of uranium. As Ms. Gigantes points out, quite rightly, the world price is declining and prospects are for further declines. If we have declines in the world price coupled with the same front-end moneys, it will mean the actual price per pound we are going to be paying over the years, if we write in the front-end money to it, may make those contracts look like something of a mistake.

**Ms. Gigantes:** Cost plus.

**Mr. J. Reed:** Cost plus, that's right.

**Ms. Gigantes:** Cost decided by the companies.

**Mr. J. Reed:** I recall the Ontario Hydro consultant of the day giving the select committee the horror story about the prospects of running out of uranium. That was actually at a time when new uranium finds were coming on stream at the rate of one every three weeks. Now we find that the size of the mines and the richness of the ore is well beyond first indications.

The northern part of Australia has open-pit uranium three metres underground. We have Cluff Lake here in Alberta. And there is Botswana and many other places in the world where there are finds of uranium that make the Elliot Lake ore look pretty thin. I am going to bring this up again with Hydro and we will probably bring it up later on in the House because some of us in opposition have some very deep concerns about that. I believe the government and Ontario Hydro were taken in, by whatever pressures of the day there were, very wrongly. Those contracts, in my view, will turn out to be errors of the time.

**Hon. Mr. Welch:** Mr. Chairman, perhaps we could take these comments and the questions contained therein as notice and we could have a full discussion with the Hydro people. I am reminded, of course, that the contracts in question went to the select committee which had some difficulty in coming to a unanimous point of view with respect to them.

**Ms. Gigantes:** We certainly agreed unanimously that the contracts should not be signed.

**Hon. Mr. Welch:** As far as the front-end money is concerned, I am reminded that that money is all recoverable in product. It is not

as if it is money that is not going to actually result in the attainment of the product for which the contract is made.

**Mr. J. Reed:** It depends on how fast it comes out.

**Hon. Mr. Welch:** That goes without saying. But if we can accept this as notice of your concerns, you can be assured of an active discussion.

**Ms. Gigantes:** Mr. Chairman, could I ask the minister if before we get into that discussion it might be possible to get from Ontario Hydro, through his ministry, an update on the demand for uranium by Ontario Hydro and the prices, both their latest projection of what the world price of uranium will be and also what prices Ontario Hydro will be committed to under those contracts, and how they will compare?

On the same subject, Mr. Minister, among the documents provided by your ministry this morning there was a copy of a letter, some little correspondence you had with Mr. Hnatyshyn on the subject of federal reserves and federal policy and the pricing of uranium. I may be making too big an assumption to assume that you recall the letter of September 25, 1979. It's the third letter in that package.

Aside from trying to reinforce Ontario's position that there should be a two-tiered price system for everything, what prompted you to write this letter? I understand Rio Algom didn't get its contract with the Tennessee Valley Authority so they have 500,000 pounds of uranium concentrate available for sale. Was there an immediate interest on the part of the ministry in making sure that that uranium went to Ontario Hydro? What kind of price were you looking for and where are the responses to these missives?

**Hon. Mr. Welch:** Perhaps I can comment on the last question. I don't have much luck at the moment with getting too many responses with respect to some of this mail. I have a number of unanswered letters and I don't make any comment, as I am sure the minister is very busy, but there isn't a response to this letter at the moment.

The simple answer to the other questions would be that in discussions with the deputy minister on a number of subjects I became concerned as to whether or not we shouldn't be taking some position in the interests of Ontario consumers on the basis of information which he had shared with me. I thought it might be wise to put these concerns in writing as a matter of record. Perhaps Mr. Rowan could share with you, as he did with

me, those reasons which prompted me to write the letter.

**Mr. Rowan:** Ms. Gigantes, you may recall during the select committee review of the Denison and Preston contracts there was a full discussion of the events which had taken place during the period 1973, 1974, 1975 when the Ontario government and Ontario Hydro endeavoured to persuade the federal government to establish a two-tiered price system for uranium. You know that the jurisdiction for nuclear matters, including uranium, was assumed by the federal government in the Atomic Energy Control Act of 1946. This action by the federal government resulted in their having complete jurisdiction over pricing, exports, all matters. This really impacted Ontario Hydro's ability to negotiate the very best price possible for the electrical consumers of the province.

**Ms. Gigantes:** Mr. Chairman, I wonder if the deputy minister understood my questions?

**Mr. Rowan:** I think I did. I just wanted to put them into context.

**Ms. Gigantes:** It is delightful the way he always starts with the birth of Christ when you ask a question. I would like to get to what prompted this particular correspondence in September 1979.

**Mr. Rowan:** I was getting to that, Ms. Gigantes.

**Ms. Gigantes:** It was the pace at which you were getting to it that I found difficult to understand.

**Mr. Rowan:** Please bear with me. I know I am slow but I do cover the ground. You will recall that during those select committee hearings, notwithstanding that the long-term requirements of Ontario Hydro were being met by these two contracts, up to and including the Darlington power plant, there were some uranium needs—

**Ms. Gigantes:** Beyond Darlington, if I recollect.

**Mr. Rowan:** Not beyond, please. You are anticipating and I am not going to go in that area. There were some shorter-term uranium requirements that would have to be filled by other types of contracts.

**Ms. Gigantes:** Yes.

**Mr. Rowan:** You may also recall not too many months ago the Tennessee Valley Authority decided it did not wish to continue with a contract it had arranged with Rio Algom. This meant that Rio Algom had a supply of uranium for sale and it had it for sale at a time when Ontario Hydro might be in the market for additional uranium.

**Ms. Gigantes:** Did Ontario Hydro indicate that to the ministry?

**Mr. Rowan:** We had discussions with Ontario Hydro with respect to this in the context of how can Ontario Hydro meet its requirements and what is the best price it can obtain for its fuel of all kinds. It was felt to be a very desirable move to remind the federal government that the position of Ontario, for a number of years now, has been to establish an advantageous price for the utilities which have nuclear power plants with respect to the supply of uranium.

So this letter was designed to remind the new federal government of that policy of the Ontario government and to endeavour to obtain whatever advantage the electrical consumers of this province can obtain. Did I answer your question?

**Ms. Gigantes:** Yes. I think you have given some of the background I was looking for. I guess we are going to have to wait for an update on the exact demands of Ontario Hydro and whatever shortfalls there might be at the present time in their uranium fuel supply program to be able to put this in the proper context.

When the deputy minister was indicating to you, Mr. Minister, that it might be time to write to your federal counterpart on this subject, did he also remind you that the contracts we have, which will start out I understand next year with Denison and Rio Algom, will be cost-plus contracts and that the uranium market may be such over the next few years that we will be paying higher than world price under those contracts?

**Hon. Mr. Welch:** That is part of the information which we will provide for the discussion we will have. To answer your question in a general way: I was brought up to date, as you might well gather, with respect to this and a number of matters which prompted us to get this on record. The assumptions you draw are something I really cannot comment on without getting some further information as to what the result will be in the future when that particular product comes on the market. I have no way of knowing whether what you say is correct or not.

[4:15]

**Ms. Gigantes:** Presuming that your federal counterpart might also have information available to him.

**Mr. J. Reed:** When you're looking at the electric power demand projections, which your ministry does do now and which seem sometimes to be in conflict with Ontario Hydro—

**Hon. Mr. Welch:** They're different approaches to the subject.

**Mr. J. Reed:** Different cakes—I would suggest, along with that, you do an assessment of the whole uranium picture and a cost analysis so that we can find out just what you're going to be paying for uranium from here on out. I think you've been had.

**Ms. Gigantes:** If you're writing to your federal counterpart, suggesting that Ontario deserves a domestic price better than what the international market may bear, at the same time that analysis may soon show—and the federal minister may well know that analysis may soon show—the contracts the Ontario government has ratified on behalf of Ontario Hydro with Denison and Rio Algom will have Ontario paying above the world price, he might question your request as in the letter of September 25, if you follow my meaning.

**Hon. Mr. Welch:** Just so I understand, do you not agree with my letter to the federal minister?

**Ms. Gigantes:** Yes, but it might look funny to him if he knows your contracts are going to be forcing you to pay higher than the world prices very shortly.

**Hon. Mr. Welch:** If that were to be the case.

**Ms. Gigantes:** Yes, if it were. It's worth reviewing, I think, before you write to him.

**Hon. Mr. Welch:** I've already written.

**Ms. Gigantes:** I would have done it the other way around.

**Mr. Charlton:** You can always send a supplementary.

**Ms. Gigantes:** I was going to suggest we take a look at industry policy on coal, if we could.

**Mr. J. Reed:** That's fine, but I respect the fact we have 10 minutes left today.

**Ms. Gigantes:** Do we wrap up at 4:30?

**Mr. J. Reed:** Yes.

**Ms. Gigantes:** I thought we went till six o'clock.

**Mr. J. Reed:** No, it's not the select committee today.

**Hon. Mr. Welch:** Two and a half hours.

**Mr. J. Reed:** I had a couple of questions about electric power as stated here in the estimates. That's all I have.

**Ms. Gigantes:** Could I be allowed about a minute on coal? You go ahead first.

**Mr. Acting Chairman:** Let her catch her breath. I'll save a minute.

**Mr. J. Reed:** I want to know what it means when the Ministry of Energy spends \$843,000 for electric power.

**Mr. Handleman:** It means you pay your hydro bill.

**Hon. Mr. Welch:** It's staff support.

**Mr. Rowan:** If you'll bear with me just a moment, I'll dig that out.

**Mr. J. Reed:** Tell me generally. Is it promotion?

**Mr. Rowan:** I hesitate to get into this because I know anything I say may be seen to be too drawn out.

**Mr. J. Reed:** Bottom-line it.

**Mr. Rowan:** Bottom-line? The Ontario Energy Board has two responsibilities. One is as a regulatory agency and the other one is as a policy advisory agency. There are a number of activities of an advisory nature which the Ontario Energy Board is involved in that relate to Ontario Hydro. One is the electric costing and power study and the other is the annual power rate reviews of Ontario Hydro.

We assist the Ontario Energy Board in providing financing to them during their hearings. In addition, you're also aware of the restructuring of municipal hydro utilities, in Halton, for example.

**Mr. J. Reed:** A very good place.

**Mr. Rowan:** There are some operational startup grants which are provided to the municipalities to get them going. We hope very soon to have in the region of Ottawa-Carleton a restructuring program that will assist the utilities there to get going. About \$550,000 of that \$843,000 is on the restructuring startup grants.

**Mr. Charlton:** You mean startup grants just go to areas where energy critics live?

**Mr. Rowan:** No, as a matter of fact—

**Mr. J. Reed:** You only get them if you help the bill through the House.

**Hon. Mr. Welch:** Hamilton-Wentworth is on the list. In fact, we expect to have a bill introduced before—

**Ms. Gigantes:** He'll probably be the next energy critic, when you guys have worn me down.

**Hon. Mr. Welch:** You just watch where the grants go. There's a promise.

**Mr. J. Reed:** Actually some of that has helped to fund the pricing study; some of it has helped to fund the Ontario Energy Board in terms of its advisory function; some of it has gone to help the utilities in a transitional startup situation.

When you're talking about this money that's going to these new utilities for the startup, I presume it's a one-shot deal to cover hurdles such as some inequities in terms of plant value and so on.

**Mr. Rowan:** No, not at all. As you can imagine, the period of transition from the time the legislation goes in until the time the new commission and its administrative support are able to take over is maybe up to six months. In some cases—in the case of Pickering—the public utility commission there didn't have a utility commission as a base.

These grants allow the new utility to hire a general manager, to pay for an office—

**Mr. J. Reed:** For that period of time.

**Mr. Rowan:** —for that period of time—those sort of things; modifications to their computer system if they're necessary in order to accommodate the large number of customers. They would also be eligible.

**Mr. J. Reed:** Just briefly, who assesses how much money that should be?

**Mr. Rowan:** As you may recall, there was a provincial steering committee set up following the Hogg report. We asked the secretariat of the provincial steering committee, before it was disbanded, to assist us in coming up with guidelines. We discussed these with the Ontario Municipal Electric Association and the Association of Municipal Electric Utilities, two of the organizations very closely related to the utilities, to make judgements as to whether they were fair. These, in turn, were discussed with Ontario Hydro and the minister, I believe, tabled these guidelines in a statement in the House.

**Mr. J. Reed:** Who makes the decision?

**Mr. Rowan:** The final decision is made by the Ministry of Energy with the assistance of Ontario Hydro.

**Mr. J. Reed:** Thank you.

**Mr. Acting Chairman:** Coal.

**Ms. Gigantes:** I'm really interested in knowing if there is a general policy statement on coal available from your ministry.

**Hon. Mr. Welch:** Actually the closest thing we have to that would be the speech which Mr. Ashe gave on my behalf to the Canadian Coal Institute conference. It sets out our position at the moment. Is there anything else you can add, Mr. Deputy Minister?

Have you seen a copy of that?

**Ms. Gigantes:** Yes, I did. I would not have expected that was your speech. I thought that was his.

**Hon. Mr. Welch:** It was read for me by Mr. Ashe.

**Ms. Gigantes:** It was one that you would have delivered yourself?

**Hon. Mr. Welch:** That represented the Ontario position with respect to the utilization of coal at the moment.

**Ms. Gigantes:** I have another question.

**Hon. Mr. Welch:** How would you think you could ever separate the parliamentary assistant and the minister on matters of policy?

**Ms. Gigantes:** I know Mr. Ashe rather well and he has great qualities which I admire, but he lacks some of your skills. One of them—what could I call it?—diplomacy. Certainly I felt the speech was exceedingly undiplomatic.

**Hon. Mr. Welch:** It all depends on whether you read the speech or the account of the speech.

**Ms. Gigantes:** No, I read the speech.

**Mr. J. Reed:** Mr. Ashe is not here to defend himself.

**Ms. Gigantes:** No, the minister has taken the onus on himself for the speech. We can talk to him directly.

**Hon. Mr. Welch:** I can't separate myself from the speech. Not long after I was appointed I received a number of invitations to different conferences. That was one I couldn't go to. But certainly after being brought up to date, I could see nothing in that speech that hadn't been said many times before with respect to the Ontario position, diplomatic or not. It wasn't intended to be abrasive in any way.

**Ms. Gigantes:** Let me put it to you this way: The select committee of the Legislature on Hydro affairs—Mr. Ashe was certainly a member of that committee—heard quite an extensive presentation from the Alberta resources conservation board. He was aware and we were aware at that point—I believe it was February of this year—when they came before us during our general discussion of demand and forecast of energy and so on. They made it quite clear it is Alberta's intent to develop and market its coal resources as a priority in resource development.

It was not their wish to continue to provide oil and gas, either to export markets or to domestic markets other than Alberta. The priority policy of the Alberta government—and I can understand the reasons for it when they described to us the extent of their coal resources—was to develop those resources and sell them.

Another element in this whole consideration that comes to mind is that for many

years—and Mr. Reed will corroborate this, I'm sure—we've been told by Ontario Hydro one reason we have to put such emphasis and priority on the development of nuclear power in Ontario and also to the consideration of exports of nuclear power or even to the admission of a federal policy of exporting gas and oil, is that we are dependent on the Americans for coal. We're very vulnerable to having the American supplies of coal limited.

Given those two pieces of information, it seemed quite extraordinary to me also—here I go again à la Rowan—we are in the position of trying to make sure the federal government—and through the federal government, the Alberta government—understands the necessity for supplies of conventional gas and oil for Ontario industry and consumers. At the very point when all these things seem to come to a head, all these delicate kinds of intuitions and policy crossovers and so on, Mr. Ashe goes out and tells the coal producers of Alberta we're certainly not going to buy Alberta coal unless the price is right, that we can get it cheaper in the United States.

That seemed to me at the time I read it to be such an undiplomatic thing to be doing and so shortsighted a way to approach Alberta's identification of its own priorities for resource development I couldn't believe it.

**Hon. Mr. Welch:** The honourable member invites us to give some consideration to the timing of even the obvious from the standpoint of policy and the words that are used. I think it's important to add one or two words to what was said in the speech. It wasn't a case of not buying Alberta coal but we did not see in the foreseeable future any increase in the purchases of Alberta coal.

**Ms. Gigantes:** It was a discussion of price; and the way it was put was a little indecisive.

**Hon. Mr. Welch:** The honourable member is entitled to that view. It's one thing to say we're not going to buy Alberta coal because of price. It's something else to say we're not at the moment contemplating the purchase of any more Alberta coal because of price, keeping in mind that Hydro is honouring its contractual obligations in the acquisition of a certain quantity of Alberta coal. You know of the developments at Thunder Bay in that connection.

You will recall I made some reference during the course of the afternoon to Premier Lougheed's speech in Vancouver when he set out his 12 points with respect to a national energy policy for the 1980s. One of the points he makes is that he would like to

see it more attractive for Ontario Hydro to buy British Columbia and Alberta coal in place of United States coal.

[4:30]

I agree with him and this government would agree with him, keeping in mind he himself agrees it has to be made more attractive. Obviously he's speaking in terms of the competitive position of the product. Obviously he has in his mind, when he's making that statement about making it more attractive, that western Canadian coal costs about 30 per cent more than United States coal. There are some interesting things being talked about.

**Ms. Gigantes:** He might make it more attractive by refusing to produce the Syncrude oil you're looking for.

**Hon. Mr. Welch:** Keep in mind there are some interesting things happening in coal. A couple of weeks ago there was a full section of the *Globe and Mail* dealing with the whole question of coal, perhaps finding less expensive ways for it to be transported here in some type of slurry form through a pipeline.

Let's recognize that in keeping with the spirit of the debate so far today many things have happened that might make many of these resources more attractive. Perhaps they will get people busy trying to overcome some of the obstacles with respect to a fuller utilization of our own resources. That's all the more reason why Canada's in an excellent position to become self-sufficient in a number of ways if we can find some challenge to do this.

**Ms. Gigantes:** When you're saying to Mr. Lougheed, "Let's go ahead and plan development of your oil and gas resources for the benefit of all Canada, including Ontario," it seems to me you need to approach the question of using Alberta coal as opposed to United States coal in a bit more diplomatic manner. Ontario needs a little image changing, I think.

**Hon. Mr. Welch:** Let me accept the fact that we could be perhaps a little more careful as to how points are made, keeping in mind the national context. Having said that and agreed to that, there are other considerations with respect to coal other than price. These environmental concerns have been the subject of debate in the House and also consideration in committee.

Here, once again, I don't think we can afford the luxury of considering things which perhaps even five or six years ago were not considered particularly economic.

**Ms. Gigantes:** I think the minister understands there are new technologies for the use of coal, too.

**Hon. Mr. Welch:** Yes, quite.

**Ms. Gigantes:** Could I beg leave of the committee to raise one other item which might not come under this vote—it doesn't exactly fit under regulatory control, but I wanted to know something of the minister's and the ministry's understanding of the relationship between Ontario, the federal government and the International Energy Agency in emergency supply agreements.

**Mr. Acting Chairman:** Would you be prepared to answer that question under regulatory control?

**Hon. Mr. Welch:** I'd be glad to just take a minute now, if that's considered sufficient. I have no objection. Certainly Canada's a member of the agency.

**Ms. Gigantes:** I'd like to have a little bit of discussion about it—maybe 15 minutes. Could we try it under regulations?

**Hon. Mr. Welch:** It's the relationship of the province to the federal government and in turn to IEA with respect to the whole question?

**Ms. Gigantes:** Yes, and all the agreements and what triggers the—

**Mr. J. Reed:** The things we will be faced with in another two months.

**Mr. Acting Chairman:** It certainly sounds like regulations to me when the clock's gone by 4:30.

**Ms. Gigantes:** I'm glad, Mr. Chairman.

**Hon. Mr. Welch:** What are we carrying?

**Mr. Acting Chairman:** According to our original agreement we have two votes to carry this afternoon, vote 2002 and vote 2006, energy supply.

Vote 2002 agreed to.

Vote 2006 agreed to.

**Mr. Acting Chairman:** We will reconvene next Wednesday to talk about votes 2005 in the morning and 2003 in the afternoon.

The committee adjourned at 4:35 p.m.

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Rowan, M., Deputy Minister





No. G-10

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**

Estimates, Ministry of Energy



**Third Session, 31st Parliament**

Wednesday, November 28, 1979

Morning Sitting

**Speaker: Honourable John E. Stokes**

**Clerk: Roderick Lewis, QC**

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, NOVEMBER 28, 1979

The committee met at 10:13 a.m. in room 228.

### ESTIMATES, MINISTRY OF ENERGY (continued)

**Mr. Chairman:** Last week I was not here at the conclusion of the day, but you did complete vote 2001, leaving, as your schedule indicates, the Ontario Hydro portion of that vote for Wednesday next in the afternoon, and also completed votes 2002 and 2006: We begin this morning then on 2005, regulatory affairs.

On vote 2005, regulatory affairs program:

**Hon. Mr. Welch:** Mr. Chairman, the money set out in the estimates and now for the consideration of the committee deals with the operations of the Ontario Energy Board. In that connection, we have the chairman of the board here and I invite Mr. Clendining to come forward. There are other officials of the board here for any questions that might be directed with respect to this vote. May I introduce Robert Clendining, chairman of the Ontario Energy Board, to you, Mr. Chairman, and members of the committee.

**Mr. Gaunt:** Will you excuse me until next week, Mr. Chairman?

**Mr. Chairman:** Absolutely.

[10:15]

**Mr. J. Reed:** Mr. Clendining, there is naturally a great deal of concern manifesting itself over proposed hydro rates for 1980. The OEB, of course, has heard testimony this past year regarding rate structures. I'm interested in how the energy board assesses the need for certain rate increases, and what elements it takes into consideration. I'm concerned with the elements the board takes into consideration when it is hearing applications for rate increases.

**Mr. Clendining:** I assume, Mr. Reed, you have read the reasons, the recommendation, on the most recent Hydro matter, at the end of August. All of the issues and items considered are in that report. I don't have it with me, but I wouldn't mind trying to recap it.

**Mr. J. Reed:** What I'm getting at is Ontario Hydro's debt equity ratio has

changed over the years, and I did read some of the testimony in connection with that debt equity ratio. Does the energy board express an opinion on the financial soundness of Ontario Hydro? Does it take that into consideration when it's looking at approvals for rates?

**Mr. Clendining:** The debt equity ratio was part of the matter discussed at the hearing. I can't recall, specifically, the words of the board. But again, Mr. Reed, it's in the advisory report, which I'd be very happy to leave with you. I'm not trying to evade the question. I just don't have a yes or no answer to get into more detail.

**Mr. J. Reed:** I'll just make it a little simpler. Do you use the same set of criteria when you are assessing rates applications for each year or do you change your basic criteria as the years go by?

**Mr. Clendining:** In the first place, as you are aware, we act on a reference where certain criteria may be specified. That is public record as part of the report. The change in the criteria, if any, I just don't recall. But I'd be glad to refer you to Stephanie Wychowanec, vice-chairman of the board, and very familiar with the proceeding.

**Miss Wychowanec:** Mr. Reed, I didn't sit on this year's Hydro bulk power rate hearing, but I can tell you what the experience has been in the past when I have sat on it. In some cases, the minister in his reference has suggested to the board an appropriate debt equity ratio. In other cases he has suggested, for example, when we were under the anti-inflation guidelines, we should keep the guidelines in mind when we were making our decision. We don't have a specific debt equity ratio we use as a given every single year. We look at Hydro's program into the future; we look at its capital requirements; we look at its projected cash flow. You can't say one of these is the sole criterion in our deliberations. We weigh a number of issues, as the chairman has said.

If you read our report, we are required by the statute to report on all positions of all interveners, and that's part of the evidence. It's just a weighing process in our deliberations.

**Mr. J. Reed:** Okay. How do the variations on the theme get into your deliberations? You have suggested the ministry will make suggestions.

**Miss Wychowanec:** In its letter of reference. It's part of the letter of reference.

**Mr. J. Reed:** The ministry has an input into where the balance—

**Miss Wychowanec:** Not always, Mr. Reed. Please, I hope I didn't mislead you. There have been occasions when the Minister of Energy has suggested to the board a debt equity ratio. I'm just taking a number out of the clear blue sky. It may not have been any of the numbers that were in the references. Let's say 8 to 18. Use that as a guideline, but you must remember that Hydro has to recover its cost and it has to be a viable operation. So that may be a guideline.

**Mr. J. Reed:** Would you also consider guidelines regarding the amount of increase awarded to capital construction versus operating costs when you are looking at costs? I don't want to get you into specifics so much, but a certain amount of the rate that hydro users pay goes towards the capitalization of new plant and equipment. Presumably, that figure or percentage has changed in recent years, although I really don't know that. But I would assume a certain amount of that increase would have to be attributable to the capital needs, rather than the operating needs, and I was just wondering how you arrive at the proportional disposition of that capital/operating requirement?

**Miss Wychowanec:** I don't think you can say it's a proportional disposition, Mr. Reed. The overwhelming costs of Ontario Hydro are found in their depreciation, operating/maintenance costs, interest costs. The capital portion of it is a relatively small one. We do look at the capital program coming up within the next few years to see whether Hydro is going to be in a position to have to borrow a great deal of money on the market. And certainly, you're quite right; since about 1976, its borrowings have decelerated. Let's put it that way. They are not as great as was initially expected when Hydro first came before our board.

But we don't have a specific number in mind when we go into a rate hearing and say, "This is going to be the amount that we are going to allow Hydro for capital." It would have been very difficult in the last few years to have a specific number in mind. When we have reported, we have had a great deal of difficulty in determining what Hydro's capital program is going to be. The Bruce generating program, for example, was

very much up in the air when we reported two years ago. We weren't sure whether it was going to go forward or not, what was going to be delayed, what was going to be cancelled. So we have not had a specific number in mind.

**Mr. J. Reed:** I see. But you pay due regard to depreciation and that is a write-in cost.

**Miss Wychowanec:** Yes.

**Mr. J. Reed:** Presumably the depreciation of the asset would award to further capital expansion.

**Miss Wychowanec:** Yes, but the depreciation is, in effect, almost a sunk cost because it is capital already expended. Hydro comes before us and proposes a depreciation rate for certain of the assets. We reviewed their policy just recently and filed an interim report to the minister and recommended that Hydro's policies on depreciation be adopted. We thought they were fair.

**Mr. J. Reed:** Would it be fair to ask the energy board what depreciation rates are acceptable? Do they vary from one kind of capital installation to another, or are they common on all investment?

**Miss Wychowanec:** To the best of my knowledge, they do vary. They are not common on every single investment, because every single investment is not exactly the same, and the life is different.

**Mr. J. Reed:** To ask specifically how those depreciations work is a more valid question for Hydro, I would assume, then for the Ontario Energy Board. I ask these questions because as representatives of taxpayers and of people who buy electric power, I think we're very concerned that increases are relative to the actual need for funding. One way or another, we have to ask those questions in order to understand what happens in the process of approving proposed rate increases. Perhaps I should go on to the area of natural gas.

**Mr. Clendining:** Mr. Reed, just before we leave the other matter, I would like to recap something that Miss Wychowanec said, and that is that there was a special review of depreciation and there was a hearing for that purpose and a special interim report. If you're not familiar with this, we could provide you with a copy of that report, which might be of interest to you. Would that be desirable?

**Mr. J. Reed:** Yes. Is it possible to outline some of the conclusions of that report for purposes of Hansard?

**Miss Wychowanec:** It was written about a year and a half ago, and it's fairly lengthy,

Mr. Reed. There were a lot of policies looked at, and I'm sorry I really wasn't prepared to recap them. I don't think I could do a sufficiently comprehensive job for you this morning. I think it would be better if you read the report itself.

**Mr. J. Reed:** I would appreciate being able to look at it so that when Hydro comes before this group we would be able to ask some questions about depreciation.

**Mr. Clendining:** We can have a copy for you this morning, if you wish.

**Mr. J. Reed:** Thank you. Regarding your area of jurisdiction with natural gas, I wonder if you would be kind enough to outline just how the energy board functions in the natural gas scenario.

**Mr. Clendining:** "Well," I believe, is the short answer, Mr. Reed.

**Ms. Gigantes:** You asked for it, Julian.

**Mr. Clendining:** Putting it in my layman's language, the energy board's function is to regulate the gas industry in Ontario. Stop me if this isn't what you mean.

**Mr. J. Reed:** I do appreciate that your function is to regulate the gas industry. I think what I want to get at is how you arrive at rates you consider justifiable. Do you have input from the Ministry of Energy? Is there government policy that goes to the energy board saying the energy board should consider this, this and this when it is arriving at rates? I guess what I'm trying to do is to establish the connection that there may or may not be between the Energy Board and the ministry relative to the independence of the energy board?

**Mr. Clendining:** Let me begin by saying that the energy board is entirely independent of the Ministry of Energy in regulatory matters. Then the backfill: in natural gas rates hearings, the board has a public hearing. The material that is presented by the applicant—the company looking for rate relief—is reviewed in a public hearing. There are interventions, and sometimes submissions, made by parties other than the applicant.

On occasion, the board staff will put a witness into the hearing to present another point of view to bring out a total perspective of whatever the issues may be in a particular hearing. There is no directive, no suggestion or no involvement of any sort in that process with the Ministry of Energy or the Minister of Energy. The record stands on its own. The decision is made independently, and that is the end of it.

[10:30]

**Mr. J. Reed:** Does government policy prevail in any way, shape or form with the energy board?

**Mr. Clendining:** Government policy? Could you be more specific?

**Mr. J. Reed:** It's very hard to be specific, because I often wondered whether the government has an energy policy.

**Mr. Clendining:** We're even now—

**Mr. J. Reed:** Yes. There are certain philosophies that the government will have. There are certain things that the government may do in connection with natural gas distribution in the province. I suppose what I'm trying to find out is if those acts are done independently of the energy board, or are they connected to the energy board somehow?

**Mr. Clendining:** There has been no issue about government policy, other than the general way we conduct ourselves. I appreciate that isn't the type of policy of which you are speaking. However, there has been no Ontario government policy matter that I am aware of, or that I can recall that has been an issue. On occasion, the matter of Ontario government policy has been referred to by an applicant, or perhaps an intervener, appearing before the board. That is the only way in which the board is officially aware of it. Sure, we read the papers like anybody else. But the only official recognition given to it is in that way. If it's an offhand reference, it gets just the weight that an offhand reference would get, and no more.

**Mr. J. Reed:** You have a certain constraint by the federal energy board, do you not, in terms of the rate linkages, and so on?

**Mr. Clendining:** Are you speaking of the gas, the wholesale, or the city-gate gas costs?

**Mr. J. Reed:** Yes.

**Mr. Clendining:** Yes, that is something that is determined outside of Ontario, then we deal with it within Ontario as a given factor, so to speak. Is that what you mean?

**Mr. J. Reed:** Yes. I wonder whether you could tell us what powers of discretion the Ontario Energy Board has within that framework; whether there is a fixed relationship between the price of natural gas, and as existing now, the price of petroleum? Do you not find yourself very much constrained in terms of your ability to set rates?

**Mr. Clendining:** There is a constraint—I suppose we could call it that—in terms of passing through—that's a simplifying phrase—the gas cost increase which has been established by the federal agency, or the federal government, whichever. Stop me if this isn't

what you mean, but even in that instance, where we are rather constrained, there's a number that cannot be reduced. It's something that has been predetermined.

We are faced with it, and the company is saying, "We want to take this figure, on which we now have to pay more, and move it through the system to the customers." There is a constraint there because you can't reduce that number. But at the same time, before approving the pass-through to the customers, there is a review of the company's financial position. If it's done on an interim basis, it is a quick review because there is a time restraint in terms of passing it through.

However, ultimately it is reviewed in great detail to make sure. For instance, to put it in my simple language, if you operated a shoe store, maybe the cost of your buying shoes has gone up, but if you improved your efficiency a little bit, maybe you wouldn't have to pass it all through to the customers. So the board approaches it in sort of that manner. If they don't do it on the interim hearing where the pass-through is allowed—and I might add, with the condition that it's refundable if subsequent in-depth review finds it to be incorrect—then subsequently it is looked at in great detail. So even that is not automatic, that is what I'm trying to say.

**Mr. J. Reed:** Does your jurisdiction over price begin at the city gate, or does it begin at the border of Ontario?

**Mr. Clendining:** Our jurisdiction over price is really at the selling level, retail level. But obviously the upstream gas costs—

**Mr. J. Reed:** But there is a starting point in terms of cost over which you have no control.

**Mr. Clendining:** There is the federal price over which we have no control. Yes, that's correct. That is the purchase price from Trans-Canada Pipe Lines.

**Mr. J. Reed:** Yes. All right.

**Mr. Clendining:** There is in addition to that a small amount of indigenous Ontario gas production, but as you know, it's one per cent or something of the total, so it is insignificant.

**Mr. J. Reed:** When you are dealing with that one per cent, how far back in the scheme does the Ontario Energy Board go with Ontario gas? Does it go into the well, or does it rely on a federally set price?

**Mr. Clendining:** No, the board approves or disapproves the price which the gas company, the distributor, pays for Ontario gas. There is no set of rules, written out ahead of time, but logically it couldn't be in excess of the

TransCanada purchase price or it would have to have some relationship to it. Maybe you mean, "Is it influenced by it?" Yes it is.

**Mr. J. Reed:** If I were a natural gas producer in Ontario, then, would I submit to the Ontario Energy Board to find an acceptable selling price for my gas to the distributor?

**Mr. Clendining:** No. No natural gas producer comes to the board for approval of its selling price. The board's input is at the other end in approving the price at which the distributor purchased the gas, which is after the fact.

**Mr. J. Reed:** I wonder whose side of the argument is heard in this case. Is it only one side?

**Mr. Rowan:** Mr. Chairman, may I attempt to answer Mr. Reed's question? If I may use as an example the cost of natural gas per mcf at the Toronto city gate of \$2—it's higher than that now but let's use that for purposes of example—the Ontario natural gas producer receives from the utility, Consumers' Gas, again as an example, a price for his gas at \$1.90 per mcf. There is a 10 cent per mcf deduction from the Toronto city-gate price for transportation purposes and other quality differentials that may exist. It is a deduction. In other words the adjustment is made in the form of a simple deduction. If I may just go on to explain.

**Mr. J. Reed:** Yes, okay. I have some questions.

**Mr. Rowan:** We have met with the Ontario Natural Gas Producers Association on a number of occasions over the past few months, and with the utilities, in order to resolve what were concerns in the minds of the Ontario Natural Gas Producers Association members. The concerns related in part to the price, in part to the way in which different utilities dealt with the producers.

The utilities, the natural gas distributors, obtain most of their gas, in fact about 98 per cent of the gas sold in Ontario, from western Canada. It is purchased by Trans-Canada Pipe Lines in western Canada and then sold to the natural gas distributors here under what might be called a take or pay contract.

With conservation taking place in the Ontario market the natural gas distributors found that they were unable to take all of the gas for which they had contracted. As a result, some of the Ontario natural gas producers who wanted to sell more gas to the Ontario natural gas distributors found they were unable to sell at this \$1.90 per mcf rate and that the distributors were offering to purchase their gas at \$1.54 or \$1.55 per mcf.

The producers said, "Why this lower rate? Why should we accept a lower amount of money for our Ontario-produced gas?" which was a natural question. The answer to that question was that if the distributors purchased all of the gas the Ontario natural gas producers offered at \$1.90, they would have to give up, if you will, some of the gas they contracted for in western Canada. As a result they would still have to pay for that gas, and the Ontario consumer would have to foot the bill.

After some discussions with the producers and distributors, it was concluded that the policies of the natural gas distributors with respect to purchasing Ontario-produced natural gas were modified somewhat, and that the producers were reasonably happy with the results of the discussions. Part of the producers' concern had to do with the conditions under which the distributors received the gas. As far as we know, all of those concerns have now been resolved.

The Ontario natural gas producers operate, as you may know, under a different royalty system in Ontario from the royalty system in Alberta. They receive a considerably higher net back, if I can use that term, than the Alberta producers receive for their gas.

Also, the Ontario producers receive all of the benefit of the transportation cost that is deducted from the Alberta producers' revenue, so that again, using this \$2 figure for mcf, Toronto city gate, when that is netted back to the Alberta border the cost of gas at the Alberta border is about \$1.41. Then there is a 10-cent deduction for the Alberta Gas Trunk Line gathering system that would take it from the wellhead to the Alberta border, which would leave you around \$1.31 per mcf. Then there are a number of royalty deductions made by the province of Alberta which would result in the Alberta producer getting around, and these are very rough numbers 89 cents per mcf.

The Ontario producer gets all of the advantage, if you will, of this transportation cost from the Alberta border to the Toronto city gate.

**Mr. J. Reed:** I have a very difficult time sorting out in my mind how a producer in Essex county, for instance, is concerned about the Alberta border where trunk lines are from. It seems to me that that gas might well go to Nanticoke, or Chatham, or Windsor.

**Mr. Rowan:** I think the main reference point is the Toronto city-gate price, which is \$2 per mcf, or now, \$2.15 per mcf. That is of real concern to the Ontario pro-

ducer because that is the base price from which he gets paid.

**Mr. J. Reed:** You have told us, I think, what is bad about take or pay for the consumer of Ontario. What is good about take or pay?

[10:45]

**Mr. Rowan:** Take or pay contracts as originally conceived were to give some assurance to the owner of the pipeline that he would have revenue to cover the cost of the investment he had made in the pipeline. They also have some advantages to the distributor in terms of supply guarantee.

**Mr. J. Reed:** How much in excess is the situation at the present time? How much is the pay for the take?

**Mr. Rowan:** My understanding, and I stand to be corrected by the members of the Ontario Energy Board, is that most of the distributors have worked their way out of their surplus supply capacity, although there may be some small residual amount that still exists. I'll ask the energy board to comment.

**Mr. J. Reed:** In other words, you are suggesting that the excess of pay over take has been until now largely used up, and we're running on a more-or-less balanced supply system.

**Mr. Rowan:** Yes, I just wanted to add one more point to this. The minister commented last Wednesday on the additions, or the conversions, from home heating oil to natural gas over the past 12 months ending September 30, 1979, running at the rate of about 128 per cent. So, even with conservation methods in effect, the new markets that are opening up for natural gas are tending to balance out some of the conservation that is taking place. There is only one other factor affecting the Consumers' Gas supply situation, and that is the very successful attempt by Ontario Hydro to reduce the amount of natural gas which it burns at the Hearn plant, and I understand now that they have reduced their volumes from 50 bcf a year, which was the contracted volume, down to about 5 bcf per year. That is a very substantial amount of gas that Ontario Hydro is no longer burning, and would be a volume which would be available to be taken—

**Mr. J. Reed:** Would bounce back into the take or pay scheme.

**Mr. Rowan:** Or to be picked up by the new market penetration, and as I think the minister indicated, in the new home construction in Ontario, natural gas in the franchise areas is running at about 70 per cent of all new home construction.

**Mr. J. Reed:** Okay, then I'm concerned about the independent gas producer in Ontario, because it has been my understanding from the very little bit of contact I've had with them that they have always appeared to be on the short end of the shovel. And here we are with an indigenous gas supply. Anyone who studies gas a little bit knows that Ontario gas is by and large pretty clean stuff, with a little higher BTU content than gas from western Canada. The ethanes aren't scrubbed and so on, and it has a certain real value to the energy security of Ontario simply because it is indigenous.

I am concerned that the small gas producer get every logical opportunity, especially considering that in terms of distribution he is faced with having to deal with very large monopolies, regardless of where he is. The distribution setup is such that it gives a monopoly to Union Gas in one area, and a monopoly to Consumers' Gas in another, and the little producer is like the little independent electric power producer, he's probably more of a thorn in the side of the large gas outfit than anything else.

It would be my hope that the ministry and the board also give that due consideration, because I think there is probably significantly more gas to be discovered or to be refractured in existing wells in southern Ontario, and I am concerned that the independents be allowed to remain independent and not simply evaporate and at some future date be gobbled up by the large companies.

**Mr. Rowan:** Mr. Chairman, if I may just comment, the thought expressed by Mr. Reed with respect to the viability of the Ontario natural gas producers, and the industry as a whole, was the basic motivation for our taking the initiative to hold discussions with the association earlier this year and last year, and to call together the association members along with the utilities concerned to work out some of their differences, if I could put it in that sense.

As a result of those efforts, the association has expressed its sincere appreciation to the ministry, and we would be delighted to share with you any information that we have on those discussions and also the expression of appreciation by the association for the work that we've done.

**Mr. J. Reed:** I perhaps should terminate my remarks right now until the Ontario Energy Corporation vote because it brings up a whole other subject, and that is the subject of a common carrier.

**Mr. Clendining:** Is that matter concluded then for the moment?

**Mr. J. Reed:** Yes, thank you.

**Mr. Clendining:** May I, Mr. Chairman, make some supplementary comments to Mr. Rowan's?

**Mr. Chairman:** Yes.

**Mr. Clendining:** At the end he said "subject to a comment from the board regarding take or pay." His comments were correct and in order. Second, when he said, "We have met with the association and producers," because I am sitting beside him you may have thought he meant he and I had met.

**Mr. J. Reed:** No, I understand the difference.

**Mr. Clendining:** I was not aware of the meetings until now.

Third, he made a comment in good faith relating to take or pay, to the effect that then the Ontario consumer would have to foot the bill. Of course he meant subject to the approval of the Ontario Energy Board.

**Mr. Rowan:** If there is any doubt about independence, you have now seen it.

**Mr. Chairman:** Evelyn is next on the list. Is this a fast supplementary, Remo?

**Mr. Mancini:** I don't know how fast it will be.

**Mr. Chairman:** We'll stick to the list then. Evelyn.

**Ms. Gigantes:** Thank you, Mr. Chairman. I'd like to ask Mr. Clendining about how the board views its role in terms of determining rate structures. I know you are in the middle of a prolonged study of the hydro rate structure. I was interested to see too the kinds of proposals for change in rates that have come from the natural gas distribution companies recently.

What concerns me is what I would call the declining rate structure, because in both cases what we now have is a system that will at least give an average cost-price that is lower the more you consume, as a consumer, and in the hydro case there is actually a declining block rate structure so it's more than the average price that is going down, it is also the marginal price that's going down. I would like to know whether the OEB has really looked at its policy, its approach to rate structure, and then I'd like to ask a few questions that I think flow out of that.

**Mr. Clendining:** Ms. Gigantes, you mentioned a current study report which is forthcoming, referred to as the electricity costing and pricing study.

**Ms. Gigantes:** When will it be out? I've heard about 14 different time deadlines on that.

**Mr. Clendining:** I think each time you've heard it it's been quite true. It is coming shortly. There's a great deal of work in the preparation. Hopefully, it will be out in the not-too-distant future. Our formal answer is "in due course," but in fairness, hopefully, in the next month or so.

**Mr. J. Reed:** I thought that phrase went out with Darcy McKeough—"in due course" or "the fullness of time."

**Mr. Clendining:** I'm sorry, I wasn't trying to evade your question, but the board—I could quote you pages of transcript, but I won't bore you with all that—looked extensively into rate structures as a concept or philosophy.

**Ms. Gigantes:** I'm sorry, you mean in the context of the hydro rate structure?

**Mr. Clendining:** That's correct. I'm not suggesting that you can take the recommendations, which I haven't seen, and apply them—I was going to say "mutatis mutandis," I don't know whether that's what the lawyers would say—to the gas utilities. I don't know that.

**Ms. Gigantes:** This is what I'm trying to discover, whether there is a common theme, a philosophy, that runs through the approach that the board takes to rate structures.

**Mr. Clendining:** In view of the pending release of this report, it would be our intention to await its completion and review it, and obviously the gas companies will be doing the same thing, as will the intervening customers.

**Ms. Gigantes:** Let me ask you then about the attitude of the board in its review of applications for rate increases such as are now before the board from the natural gas distribution companies. My understanding is that the largest amount of rate increase that's being sought, by Consumers' Gas in any case, is in the part of their rate which they attribute to cost of service—42 cents per million cubic feet as opposed to 15 cents per million cubic feet on the increased cost of gas—so by far the largest portion of that rate request is due to something they call cost of service. That's Union, sorry.

**Mr. Clendining:** That's Union's current—

**Ms. Gigantes:** Yes.

**Mr. Clendining:** I'm sorry, what is your question?

**Ms. Gigantes:** I'm interested in knowing whether the board has developed a policy of

dealing with a request by a company to increase its cost-of-service charge to such an extent as opposed to the cost of the raw material they're shipping. Do you understand what I'm trying to get at?

**Mr. Clendining:** I'm afraid I don't. The policy is to scrutinize it and make sure that it's legitimate. That isn't what you mean though, I realize.

**Ms. Gigantes:** No, it's not, because it's very much like the discussion that we're going to get into over Bell Canada. Do you have a flat rate for everybody—a cost-of-service charge, if you want—and then have to pay on top of that for your telephone call?

In the energy field what it amounts to is saying that everybody will pay a certain rate that includes a charge for cost of service and on top of that there will be a charge that is related to the cost of the energy that is being supplied.

My concern about that is the same kind of concern I have on the hydro case. This is not a very positive way of putting it but I wanted to know whether the board has some kind of philosophy, stated or implied, to assure that there is a relationship between use and cost—in other words, the more you consume, the more you pay—as opposed to having consumers having to pay a cost-of-service charge or a flat-rate charge or whatever you want to call it which is a large proportion of the actual final charge.

Where you have an application, for example, for a two-part price hike, where 42 cents is attributed to cost of service and only 15 cents per million cubic feet is attributed to the cost of the increase in the price of gas, do you have a policy that will lead you to say to yourselves, "That is not the kind of policy we want to pursue because it doesn't relate use closely enough to the cost of the energy supply"?

[11:00]

**Mr. Clendining:** Are you, ultimately, translating this into the price or the rates that the board would set or approve at the customer level?

**Ms. Gigantes:** Yes.

**Mr. Clendining:** That's your objective?

**Ms. Gigantes:** Definitely.

**Mr. Clendining:** Are you then speaking of a commodity or, let's say, a minimum charge to the customer? We're speaking of the customer.

**Ms. Gigantes:** Very much like that, right.

**Mr. Clendining:** As you mentioned, there's a Bell concept being discussed where there is a flat charge to the customer to cover the

cost of service, the cost of installation, the cost of being ready to serve, the fixed charge. In addition, there is a charge for the gas used over and above that. Is this the sort of thing you're speaking of?

**Ms. Gigantes:** Right. When you're looking at a rate application for an increase in price, and the largest portion of that request in that application relates to something called cost of service as opposed to an increase in the cost of the energy that's being supplied, do you say, "This gets into the philosophical area of whether we should make a direct attempt to relate the cost of providing that fuel?"

**Mr. Clendining:** I see. I think I understand. I'm sorry to be so dense. Can we specifically not discuss the Union Gas matter? If it's the one I'm thinking of it's before the board and I'd just as soon leave it. We're speaking in conceptual terms.

**Ms. Gigantes:** Sure.

**Mr. Clendining:** Okay. If you go over the board's decisions on this facet for the past couple or more years—probably longer than that, but within my memory—you will find that, in the rate-setting part of the hearing, which is the end, really, the fixed cost minimum monthly charge, depending on the application, has been increasing. I can't remember them, I do have the numbers in my book, but it's been increasing. As an attempt to take into account the concern that you have, I recall one decision, which is on the record, and without giving you the numbers which I don't have in my memory, the fixed charge or minimum monthly charge was increased perhaps by 50 cents a month, I don't recall. But the point is that the actual information indicated it could have been increased by somewhat more than that, but at the same time there was some question as to the validity of the information, so the board picked a number which it felt was a safe and justifiable level.

**Ms. Gigantes:** Yes, I remember reading that.

**Mr. Clendining:** I think that may have been Consumers' Gas but I'm not certain. I guess I'm obliquely answering your question by saying, yes, we do take it into account. The direction of the decisions has been such that there has been some evidence of this, but there is no policy where we say, "Okay, board members, you get out there and start jacking this up." We go at it in sort of a judicial way and we take a case based on what the evidence is and what submissions are made. We don't go in with pre-conceived notions.

**Ms. Gigantes:** I'm sorry, I think I may have got lost somewhere. You said, "We don't have a policy that says, 'Okay, board members, you get out there and jack this thing up,'" What is the "thing" you're referring to?

**Mr. Clendining:** I understood that your concern was the cost of service or, as we're calling it, the fixed charge.

**Ms. Gigantes:** My concern is that fixed charges are not a very good way of informing the consumer about the marginal price of an energy source. That's really what I'm trying to get at. It's been my concern about Hydro and it is my concern about the decisions the board will make on such applications as the one currently before it from Union Gas.

It is of concern that a distribution company, whether it be Hydro or a gas company, is allowed to have a fixed charge that does not give the consumer good information about the marginal cost of increased use.

**Mr. Clendining:** I know I'm here to answer questions and not to ask them, but I'm not quite certain what you mean by "giving the customer marginal cost information."

**Ms. Gigantes:** For example, in the Hydro case, the current rate structure is such that the more kilowatts you buy in a charge period, the less you pay for the last kilowatts that you buy.

**Mr. Clendining:** I understand.

**Ms. Gigantes:** That's a reverse indication to the consumer of what the marginal cost of those last few kilowatts is. My concern in the case of the Union Gas application is somewhat the same. It may not reflect a declining rate structure as we have in the hydro case, but certainly the larger the fixed charge is and the larger something that you can amalgamate under a heading called "cost of service," the less information the consumer is going to get about the marginal cost of providing the last few cubic feet of gas.

That's why I'm concerned to know whether the board has an overall kind of philosophy that attempts to relate marginal cost and is quite leery of rate structures that don't give the consumer that kind of information.

**Mr. Clendining:** I'm going to answer your question and then ask if any of my colleagues would care to add or correct, for that matter. This sounds like a put-off, and I don't want to put it in those terms, but with the forthcoming report on this whole matter, all costing concepts—it's so close, I would say that even if as individuals we had some preconceived ideas, we would want to wait

to see the results of this review before even considering any such policy.

**Ms. Gigantes:** The rate structure study that's being undertaken by the board relates specifically to hydro rates. Is that not the case?

**Mr. Clendining:** Yes, it does. I've already agreed with you that I assume you can't apply it, at least in a simplified way, to the gas utilities. At the same time, I don't know that until I'm familiar with the findings. Nonetheless, the concepts will presumably be discussed and I'm personally waiting to read it. I could answer your question better if I had read the report.

**Ms. Gigantes:** What you're telling me is; no, the Ontario Energy Board does not currently have a philosophy that tries to relate rate structure to information to consumers about the marginal increase in cost incurred by the consumption of the last units of the energy, whether it be gas or hydro. It does not have that policy yet. That's what you're telling me.

**Mr. Clendining:** All right, from the way you put your question the answer would have to be yes. Do you agree, Miss Wychowanec, or do you care not to comment?

**Miss Wychowanec:** I am in the unenviable position of sitting on the Union Gas case. Ms. Gigantes, I notice that you're looking at a report. I think I know which one you're talking about. In the Union Gas case what you refer to as the cost of service is an application by Union to recover what they call revenue deficiency. It's the amount below what they're authorized to earn by the board if they were operating as forecast.

The application to pass on the 42 cents to the smaller customers is justified by Union on the basis of their following through on an earlier decision of the board which said that those who impose the costs should pay for those costs. They have submitted a preliminary cost allocation study to the board which indicates that the residential customers and the small commercial customers have contributed to a much higher degree to the revenue deficiency than have the large industrial customers.

**Ms. Gigantes:** They cost more to serve.

**Miss Wychowanec:** That's right. That's the reason they are proposing that the rates be passed on to those two customer groups. There have been a number of different positions taken before the board on this particular issue. We've just concluded the hearing and we've not rendered a decision on it.

**Ms. Gigantes:** It's very much that element of it, whether you single out certain categories

of users and assign costs of service to those users, that is again very much like it. It's a step beyond what I've just been discussing with Mr. Clendining. It's another question of philosophy that must lie behind board decisions about whether it's acceptable to break consumers of an energy good into categories and decide on giving them special rates, which distribution companies prefer to do, obviously. They consistently put applications before the board that have that element built in. That's another philosophical question.

It seems to me what is happening is that precedents get built up—it's like the system of common law—rather than ever having any kind of overall policy, either provided by the government or development by the board in conjunction with government policy, which would clarify the philosophy of Ontario's approach to rate structure and the distribution of costs of energy supplies to various categories of consumers.

There is no written or understood philosophy at the board on these kinds of philosophical questions. Is that what you're telling me?

**Mr. Clendining:** If you would delete the word "understood" I think I would agree with you.

**Ms. Gigantes:** If you have an understood philosophy, I, for one member of the standing committee on Hydro affairs, would very much appreciate it if it could be provided in written form so that we would have—

**Mr. Clendining:** I'm sorry, I misunderstood. Perhaps I could interrupt. Maybe I'm playing on words and I apologize. Without saying what I thought you said and so on, I'm saying we do not have a written philosophy, for that matter, nor an understood philosophy, which isn't yet written.

**Ms. Gigantes:** There is a great difference, I think, in the way the board is approaching this question and the way of some of the regulatory authorities in some of the states in the United States who have set out almost in constitutional terms what their goals will be in terms of trying to relate rate structures and the distribution of rate costs among various categories of consumers. They've set themselves goals and principles of operation and so on.

What is your feeling about that kind of approach? It seems to me to be an enormously useful one in the period when it is a major concern of every government to make sure that consumers understand what the increased costs and the marginal costs of increased consumption really are, and also to try to assure some measure of equity in a situation

where the real costs of energy are rising dramatically.

**Mr. J. Reed:** Just to add a couple more thoughts to it, I'm concerned here that the energy board prizes its independence and yet is looking at the business of rate structure.

**Ms. Gigantes:** But it's been dissociated here from government policy.

**Mr. J. Reed:** Precisely.

**Ms. Gigantes:** Furthermore, there is no written formulation of the operating principles or goals of the decisions made concerning rate structure and its economic and social implications.

**Mr. J. Reed:** That's a very good point that Evelyn's brought up because one has to wonder what the purpose of rates is. If one says they are to cover the costs of the system, then you have to determine philosophically in what manner those will be applied, unless you do it simply uniformly across the board.

We used to have a rate structure in Ontario that was very compatible with the actual cost of producing electric power. Up until the mid-1960s we had, really, marginal cost pricing, for instance, where in an all-hydraulic system the higher percentage of the system that you utilized, the lower was the cost per unit delivered.

That reflected itself in a rate structure that said the more you used the cheaper it was.

[11:15]

**Ms. Gigantes:** Julian, I don't want to cut you off, but I would like to get Mr. Clendining's response.

**Mr. J. Reed:** Okay, but I'm having trouble as to how the energy board, and I think you're having the same trouble, can come to some determination without policy.

**Ms. Gigantes:** I would like to get his response to his own feelings and what he thinks might be the feelings of the board about the kinds of goal-setting and operating-principle descriptions that have been set out by certain regulatory agencies in the United States, in the interests of conservation and consumer information about marginal costs of energy.

**Mr. Clendining:** Just to pick up on your last comment about conservation, there has been, or there was in the recent case of Consumers' Gas, a rearrangement of a rate structure to take into account the effects of conservation in terms of lower usage and to reduce the impact of dropping, so to speak, into another category by going into a lower volume of consumption.

**Ms. Gigantes:** That would mean that the less they used, the bigger the rate was,

surely. I mean, if they are losing revenues, because of conservation they are going to be coming to you asking for higher rates. So people cut their consumption and immediately get punished by a higher rate.

**Mr. Clendining:** The example I was thinking of was when a consumer reduced his take, for whatever reason, but the examples that were brought to the board were because of conservation, and then dropped through the floor into the next bracket which happened to be a higher per-unit cost.

**Ms. Gigantes:** In gas rates?

**Mr. Clendining:** Yes.

**Ms. Gigantes:** The same structures as this?

**Mr. Clendining:** This was a complaint of some industrial or commercial users.

**Ms. Gigantes:** So it is a declining block rate in gas too. I've never used gas so I don't know. I hadn't bothered to find out. I assumed it wasn't, I assumed it was an average cost after the cost of service, or whatever flat rate.

**Mr. Clendining:** Their submissions were made and the board was conscious of the need to assist conservation somehow—and I say assist somehow because I mean it that way, somehow. How is still being developed. But in that particular instance the effect of the transition from this block to that block or this rate to that rate was reduced so that the impact would be less. There is another hearing coming up on the matter in the next couple of months where presumably it will be sorted out to a much greater extent. I am speaking only of conservation here and I know you were speaking on a broader base.

**Ms. Gigantes:** The ultimate goal I have in mind is to encourage conservation through good information to consumers through the rate structure about the marginal cost of using more units of the energy supply. Now what you are telling me is that you have modified the declining block rate structure in gas applications because you didn't want to overly punish consumers who had managed to conserve by throwing them into a rate category where they had to pay more per unit.

What I am asking you is, don't you think it would be a good idea at this stage in the regulatory affairs of energy supply in Ontario to have a board that has the power to make decisions on such matters as gas. I know it doesn't have on hydro. Hydro makes its own decisions unless the Ministry of Energy or the Treasurer gets too annoyed.

Don't you think it's about time in Ontario that such a board like the one you chair, de-

veloped, as it were, a constitution—the goals and the operating principles that would make sure that in Ontario that message was coming through to consumers that in fact they would benefit from cutting back consumption, rather than being punished for cutting back consumption by dropping into a higher rate category.

**Mr. Clendining:** I won't take exception to the phrase "punished by conservation." I appreciate what you mean, it's a rather strong word.

**Ms. Gigantes:** It's a punishment in the pocketbook.

**Mr. Clendining:** I do feel that consumers at large, and we're all consumers in one way or another, are very aware of the need for conservation, regardless of the rate structure, by the very price they are paying, so I guess I'm arguing when I shouldn't argue. Forgive me, let's go back to the question.

There are two ways, if you wish, of establishing a policy for rate structure, whether it's marginal or whatever. One is, of course, for the board to do it in a hearing or as the result of a rates hearing. Another way is for the government to decide that this is the way things should be done and legislate it, or use whatever mechanism is available to make it a necessary thing for us to do.

In answer to your question, yes, I think we should have some direction in which we are going. I personally am waiting for the results of this costing and pricing study because although it relates to electricity, it will assist the board members, and certainly me, in understanding the implications of any of these rate structures, more so than I do now and presumably more so than the other board members do.

If it weren't for that I would have a group or a task force or whatever you wish to call it, working on this, perhaps making recommendations that we do things a certain way, perhaps hoping that the Legislature would take some steps or whatever. But at the moment we're so close to this other report that I think that to have jumped the gun and sort of said, "Here's what we're going to do," would have been premature.

**Ms. Gigantes:** I disagree, because of the length of time this study has been going on and because all the convolutions of what's been happening before the board in this famous rate structure proposal are such that I don't have a great deal of confidence that it is going to give us the sophisticated approach that I believe we need, and I believed four years ago that we needed.

Be that as it may, I would like to ask two short questions, Mr. Chairman, if I can remember what they were. One, Mr. Clendining, I don't know if you would recollect the reasons—just as a matter of curiosity to me—that were given by the board when it denied the motion by the National Anti-Poverty Organization in the rate-structure hearing at Hydro to order Ontario Hydro to provide answers to the questions within your report relating to the cost of service to particular types of customers, in other words the old categories of customers. It's reported on page 26 of your annual report. "On January 25, 1979, the board denied a motion by the National Anti-Poverty Organization to order Ontario Hydro to provide answers to questions relating to the cost to serve particular types of customers." This has to do with the old industrial—

**Mr. Clendining:** I understand it. I'm sorry, I wasn't sure of your reference. I don't recall the reasons. They are a matter of public record, and again if you'd like a copy of whatever was issued—

**Ms. Gigantes:** Yes, I would like to take a look. I don't think I want to see the whole transcript.

**Mr. Clendining:** You don't want the transcript?

**Ms. Gigantes:** I don't have room in my office for it.

**Mr. Clendining:** We could arrange to provide you with that.

**Ms. Gigantes:** Could I ask one other quick question? My understanding is, current federal proposals concerning the price of natural gas are that natural gas shall continue to be priced at 85 per cent of oil. I know this is still somewhat up in the air, at least until we hear publicly about whatever agreements have been made privately in the last few days. It would permit the continuation of the 85 per cent pegging of natural gas to the price of oil, and on the other hand provide a refund or distribution of funds of up to 20 per cent—I think I heard the Prime Minister say at the first ministers' conference—to natural gas distribution companies to allow them to extend service.

**Mr. Clendining:** This is the gas incentive or pricing incentive program?

**Ms. Gigantes:** Right; to promote the substitution of natural gas for the use of oil. When you are hearing an application such as one before the board now by Union Gas, in which the largest part of the application has to do with "a proposed rate increase to cover

increased cost of service," what will you do if there is a 20 per cent refund starting in January 1980? Will you initiate a rehearing of any decision that might be made by then in order to make sure that this cost of service is not something that Ontario consumers pay for twice, once through a federal rebate and again through whatever approval is given by the OEB for an increased cost of service rate?

**Mr. Clendining:** If any of the gas distributors that we regulate receives an income, cash, whatever the arrangement will be, and I'm not certain just how it will work yet, it would definitely be taken into account in its financial analysis and therefore eventually its allowed rate of return. Is that what you are getting at?

**Ms. Gigantes:** I'm thinking more immediately. Suppose we have a decision. I don't know when a decision will be made on the Union Gas application.

**Mr. Clendining:** It's currently under review and, as I said, under the circumstances let's be more general.

**Ms. Gigantes:** Suppose we had a decision in 15 days, and starting with the new fiscal year the federal government was providing 20 per cent refund out of the 85 per cent pegged rate on natural gas to gas distributors such as Union. Would the board initiate a review of the decision it had made? What would happen?

**Mr. Clendining:** It would have to depend of course on the extent of the—you say rebate; I would say cash award, revenue. I don't believe it to be in the form of a rebate, but that is an area that I am not right up to date on. At any rate, let's say they receive an additional unexpected revenue.

**Ms. Gigantes:** Some might call it a windfall profit.

**Mr. Clendining:** It might be a windfall revenue but I think we would catch it before it became a windfall profit.

**Ms. Gigantes:** Now, how do you catch it? Do you wait until the next application for a rate increase? This could go on for God knows how long, with moneys flowing twice for the same purpose to the company. Or would you initiate a review, would you call in the distribution firms and say, "We approved a certain rate increase for cost of service, but you are now getting this money from the feds"?

**Mr. Clendining:** I'll give you a very simple—

**Hon. Mr. Welch:** Mr. Chairman, if the honourable member would permit, I don't

know that we really know what the new policy will be and I think the honourable member is unfair not to say that it is speculative.

**Ms. Gigantes:** No, I was careful to say that.

**Hon. Mr. Welch:** Certainly if this would help in the exchange, my understanding with respect to what could be the case would be incentives being related to new volumes, to be used for the extension of existing systems.

**Ms. Gigantes:** Presumably that's what cost-of-service increases have to do with too. I mean, once you put in the gas line, it is there.

**Hon. Mr. Welch:** Just as long as we understand what we're talking about. I don't interpret it as mailing a cheque to a particular distributor just to do with as he likes. I'm quite sure it will be conditionalized.

**Ms. Gigantes:** Yes, but the cost-of-service application, Mr. Minister, surely is meant to cover the same grounds.

**Hon. Mr. Welch:** We might well have a difference of opinion. I would be surprised if there were to be any retroactive characteristics with respect to the incentive. An incentive is to encourage people to do something that's not now being done.

**Ms. Gigantes:** No, I'm not talking about retroactivity. I'm talking about payments going on—one, by consumers authorized by the OEB, and two, from the federal government relating to the distribution companies' increased service.

**Hon. Mr. Welch:** The cost of service is more than just the extension of service, you understand.

**Ms. Gigantes:** Yes, but the major part of it will be extension of service.

**Hon. Mr. Welch:** However, it's not for me to get involved except to say that I hope we have the same understanding in connection with a program not yet announced.

**Ms. Gigantes:** When there is this overlap, what will the board do?

[11:30]

**Mr. Clendining:** Ms. Gigantes, it obviously is a hypothetical question and I'm not going to provide, therefore, I guess a hypothetical answer. If I could generalize and remove ourselves from this immediate example, because I really think it is hypothetical, the objective of this gas incentive program that you are speaking of is to encourage development and extensions into new markets. Then, based on the amount of gas that has been sold in these new markets—and I'm speaking

out of my official area—my understanding is, based on the amount of gas sold, X dollars will be shifted from Alberta to that company in Ontario.

**Ms. Gigantes:** There is going to be some cross-over subsidy.

**Mr. Clendining:** So that as to additional unexpected revenue, I don't think it will be an unexpected revenue, so I think you are being hypothetical in the sense that suddenly in January, or whenever this hypothetical decision—again I'm going to confuse the issue:

The Union hearing, which we're not talking about, is not finished; it has only reached a phase of completion and then goes on to completion later, so it isn't in fact complete, so that there is in your particular example an opportunity for it to come out yet. If it had been completed—so now we're being completely hypothetical—it was all wrapped up, the decision was out the new rates were set, and then they disappeared so to speak and they, without limiting it to this gas incentive program, suddenly acquired a windfall revenue. If it was substantial the board has the right to call the company in and, on its own motion so to speak, have a hearing, a re-hearing, an update or whatever.

**Ms. Gigantes:** Good.

**Mr. Clendining:** There is a judgement factor in there which we would have to apply but we do have that right and we could do that.

**Ms. Gigantes:** Okay.

**Mr. Charlton:** If I could take this discussion back a little bit to where we started, in terms of the kinds of things that the board considers when it is considering rate applications for gas, does the board only consider the kinds of things that a distribution company would submit, in terms of its costs and so on? For example, when the Ontario government gets involved in discussions with the federal government and the other provinces over increases in the price of oil, it gets very seriously concerned, takes a serious look at and expresses—sometimes reasonably strongly, other times not so strongly—its concerns about the effect of a price increase on the economy of Ontario, industrially and for the consumers of the province as residential ratepayers and so on.

Do you get into that at all when you are reviewing an application for a rate increase? Do you seriously question its effect on the economy of the province?

**Mr. Clendining:** No, we don't become involved in the effect on the economy of the province as a whole.

**Mr. Charlton:** My understanding in the case of the present Union Gas application, for example, is if that application were granted as requested—I'm not saying that it will be, but if it were—the price would then again go up, presently, each time the price of oil went up because of the federal pegging. Do you take that factor into consideration when you are deciding? Would you withhold the decision on their rate application until you see what agreement the federal government comes to with Alberta in terms of oil price, or would you go ahead and make a statement based on their present rate application and then, as you were just discussing, perhaps call them back when the oil decision is made.

**Mr. Clendining:** Again using the hypothetical situation that the case is finished and the decision is out, which isn't the case in Union, the first question was, would we wait. The answer would be no, there would be no reason to wait. Keep in mind that if there is a gas cost increase—a city-gate wholesale gas cost increase, which I think is what you're speaking of—we don't have to do a great deal because the company or the companies will be making application very quickly for an interim increase or whatever. We don't have to chase them down to give them increases.

I am not trying to be facetious. If I misunderstood your question maybe you could try me again.

**Mr. Charlton:** Essentially you're right. The companies are going to be running to you when the price of gas goes up because of the price increase in oil.

**Mr. Clendining:** When the price goes up we will have interim applications immediately, yes.

**Mr. Charlton:** They are at present before you asking for increases that don't necessarily relate directly to the cost of gas. They're talking about the cost of services, they're talking about a number of things in the present application.

**Mr. Clendining:** That's correct.

**Mr. Charlton:** When the price of gas goes up, my understanding is that they have already a margin in there, and they would just in effect go to you and ask for an increase that related directly to their increase in cost of gas.

**Mr. Clendining:** That's correct. The way it is done with the wholesale gas cost increase is that as soon as it is established formally by the federal government, or by the National Energy Board, whichever it is,

they make what we call an interim application. That is an application for an interim rate increase, "interim" meaning that it's not part of this big, huge, in-depth, time-consuming review of their financial position. They're saying, "We've got a known increase in our wholesale cost. We would like you on an interim basis to let us pass it through to customers on a future date," because inventory drawdowns are taken into account in this pass-through.

They make application and the board considers it in a special hearing, although if another hearing is ongoing it may just adjourn that hearing for a couple of days, have the interim hearing on this one gas cost issue, make its decision and then resume with the big one that was ongoing.

We do have this interim process, interim decisions or interim increases, always being subject to correction and adjustment. When the total picture is completed it may turn out, to put it in very simple language, that there were other factors in their financial picture which indicated that if 15 cents was the wholesale price increase, the truth is they were doing so well they could have got by with 13 cents. I'm being hypothetical here, but that is picked up in the overall review. If a correction is required, it is made. To the best of my knowledge it has never been made.

**Mr. Charlton:** That can happen quite effectively if the interim increase comes in the middle of the in-depth hearings on their overall financial situation. You can adjourn that for a little while, do the interim thing and then consider the interim thing in the whole consideration of the in-depth study of their financial situation. But with Consumers', for example, where I believe you have already brought down a decision this fall on the rate increase, I assume that was part of an in-depth analysis of the company's financial situation.

**Mr. Clendining:** I'm not sure which one you are referring to, but judging by the thickness of it—

**Mr. Charlton:** The hearings carried out in October.

**Mr. Clendining:** —it must be the in-depth one, yes.

**Mr. Charlton:** All right. Now that decision has been made, they're going to come back with interim applications, which are not going to be studied in depth by the board when the price of oil goes up, because the wholesale price of gas is also going to go up. I suppose it's just an extension of Ms. Gigantes' question. You are going to give them an

interim increase. In that interim increase, will you consider looking back to this at their financial situation, and perhaps consider reducing the amount of the interim increase because of things you might find there, or is there going to be an interim increase directly related to the increase in wholesale prices, which will remain until the next in-depth review occurs?

**Mr. Clendining:** The pass-through—again I say that and it sounds like a very casual term—but the passing through of the wholesale price to the consumer level, while done on an interim basis, is not done on an automatic or casual basis. Anything that's considered pertinent, whether it's efficiency, which is an example I used, or some other financial matters that may have come out in a decision that could have been issued a week earlier or six months earlier, or any new information that has come up for the future, is taken into account.

I might add that the same interveners that appear at these major rate hearings have the right to appear and usually appear at the interim. So I would have to answer your question without saying, yes, they would get out and read this particular report, by saying, anything that has a bearing is taken into account, even in an interim.

**Mr. Charlton:** That's what I was getting at.

**Mr. Clendining:** Would you agree with that, Miss Wychowanec?

**Mr. Charlton:** All of the relevant information would be considered at some time.

**Mr. Clendining:** I would like to see if the vice-chairman would like to add a comment to that.

**Miss Wychowanec:** I endorse what you said, Mr. Clendining. The point is that when we do have an interim application we do review the financial position of the company at the time, we check to see whether it can absorb these increased costs and how long it can absorb them. It is not an automatic pass-through.

I think the other point that I should raise is that the gas companies are continually before us. I don't think there is more than two months between a major rate case. The time between major rate cases is getting shorter and shorter so that the opportunity to review their financial progress in depth is always before us. I think Ms. Gigantes asked would this thing go on forever? The point is it won't go on forever. I think at this point we are getting to almost annual in-depth reviews.

**Ms. Gigantes:** I was referring to hydro rates.

**Miss Wychowanec:** I am sorry, then I misunderstood you.

**Mr. Watson:** Could I ask a supplementary to this point that has been brought up that every couple of months they are before you? I'm not so sure that the gas companies like to be before you every couple of months. What have you done to alleviate the problem of doing it that way? Is there no way it can be done so it only has to be done annually? Is there no formula so that a certain amount can be passed through without the hearing? Do you have any thoughts on the very point that you brought out?

**Mr. Clendining:** Yes, we do have some thoughts. We cannot do these things, whatever these things may be, without a hearing. But we are working very hard at coming up with other methods of conducting hearings, streamlining the filing of material, evidence, streamlining the method of cross-examination; in short, making them quicker.

As to their being less frequent, we are looking at some things, some ideas, which would allow us to do it less frequently. We haven't really had a chance not only to put them to the test but we haven't really had a chance to sort it out among ourselves. We have a group working on this. We're studying what is done in other jurisdictions and finding, generally, that our system is fairly quick. We're learning where we can from other jurisdictions that have developed a knack or a technique, looking at it to see whether we can do it within the limitations of our statute and adjusting ourselves accordingly.

So in summary, yes, we are looking very strongly at streamlining it, shortening the process. I would like to reserve whether we can reduce the frequency. That's something we are also looking at but it's a little more complex.

[11:45]

**Mr. Watson:** It's extremely confusing to the consumer and I think a bit embarrassing to some of these companies when they have sort of an interim request before the board and before that interim request is granted they have another interim request prepared, and John Q. Public is saying, "My goodness, what's going on here?" The press comes out one day saying a rate increase has been granted, and the next day the gas company is back in front of the board asking for another increase. In fact, these things are spread out, but the way it hits the public is it's something pretty concentrated. However, you have answered my question.

**Mr. Clendining:** You're right, and it's of concern to us. We get letters—I'm sure we

all get letters. There are two factors. One is their cost of doing business, the cost of service, whatever, which unfortunately these days is increasing, as it is with all of us. This causes them to come to the board for relief rate increases more frequently.

**Mr. Watson:** Surely they can do that on an annual basis.

**Mr. Clendining:** Yes, actually if you go back over the record they are doing it on an annual basis, except it's so spaced out. That's a poor choice of words.

**Ms. Gigantes:** It takes six months to figure out what they've done in their latest accounting. Have you looked at those books, those kinds of books?

**Mr. Clendining:** At any rate, the other factor is the frequent federal wholesale city-gate price increase which does confuse the issue, because there are these two issues. One is the pass-through and the other is their cost of operation and they're happening like this and the public I am sure is distressed, as we are.

**Mr. Charlton:** I just have one other question I would like to ask. It deals with some complaints we have had from municipal people, and I believe the minister has also had some contact along these lines, about the length of notice municipalities receive of hearings. The complaint is their limited ability to prepare a presentation for the board hearing.

One case in point, I suppose, is the recent hearings in October on Consumers'. We had some complaints from council members in the city of Toronto that they only had two weeks' notice and felt unable in that time to prepare proper presentations. In fact, they had requested the board adjourn to give them time. I understand that was not provided for them.

I am just wondering what the policy is and why it would be necessary to give such short notice.

**Mr. Clendining:** It's not necessary to give short notice. I can't recall the particular timing of the incident you're referring to, but we do comply, and always have complied with the requirements, the regulations and whatever, in terms of giving notice.

As a general observation, I'm not saying this applied—it may have applied in the incident you're referring to—but let me generalize anyway for a moment, confusion sometimes occurs. It's never fair to say the other party is confused, perhaps communications aren't at the best, but when a hearing begins, it is posted. There are notices of

the application, and there is ultimately a notice of the hearing. The hearing may adjourn on a phase basis, then the second phase or an interim basis may come up, and the required notice period can be less.

What happens in some of the cases—and I would like to be more specific in a moment—is we get letters saying they didn't have enough time. In fact, they are writing about a notice which is almost a reminder to the interveners that the hearing is resuming—it's not starting, it's resuming. In fact, they missed the two earlier notices which may have been some months earlier.

**Ms. Gigantes:** They may not have been elected then.

**Mr. Clendining:** That's another possibility. I'm not knocking it, I understand it. They read the notice. They say, "There's a hearing. There's going to be a rate increase. We've got to get in there." Maybe if we look at the way we word notices, or we ask the companies to look at the wording of the notices, there is some way we could make it clearer. I think we have done this, and we're doing more of it. They come in and say, "We object." I'm being a little facetious, but the fact is that if they had objected three months ago it would have been relevant. At this point they are sort of coming in at the tail end.

I'm not saying that's the case with your specific example. But this is something to keep in mind, and I'm not knocking anybody. When you read these notices, they are alarming, and as I said a moment ago, we are looking at how we can reword them and improve them and give as much notice as possible so that there isn't confusion.

**Mr. Charlton:** What do the regulations say on an initial hearing, in terms of notice?

**Mr. Clendining:** I don't recall, but perhaps Miss Wychowanec has it in her memory.

**Miss Wychowanec:** We usually give 30 days' notice of application. The procedure is to serve first the notice of application, advising people that an application has been made and advising them of the kind of relief that is sought, then invite intervenors. Then we send out a notice of hearing to those people who have responded to the first notice. That period may be shorter, but in total there is generally about 45 days in a major hearing. So I'm rather surprised at your comment that the city of Toronto had only two weeks, but I'm not familiar with that case so I can't comment on it.

**Mr. R. F. Johnston:** They received their notice on September 18 for an October 2 date. The excuse used was that that was a hearing in progress, commenced in August 1978, and I think Ms. Gigantes' point is a good one.

**Ms. Gigantes:** The mayor wasn't elected then.

**Mr. R. F. Johnston:** The mayor was not elected then. It seems to me this is the most energy conscious municipality in the province, in terms of—

**Ms. Gigantes:** Except for Ottawa.

**Mr. R. F. Johnston:** Except for Ottawa, of course, and it wanted to make a meaningful representation, and actually sent the solicitor to ask for that and was refused. It seems to me there is some breakdown in the procedures.

**Mr. Clendining:** This is Consumers' Gas. I recall it may have been an interim hearing—I'm guessing at that—and right away, the fact, that it was an interim hearing is like being in the middle of a stream. I'm not saying that's not their right. Perhaps rather than sort of parlay it, if you have some information that you could give me, I would be happy to dig out whatever we have and answer your question with a little more information, a few more dates.

**Mr. R. F. Johnston:** There is a letter from the mayor to the minister, which the minister could provide you with, I'm sure, which is complaining about the position they were caught in.

**Ms. Gigantes:** Fort Erie and Sarnia did the same, at least those—

**Mr. Clendining:** Yes, I recall their appearing and I recall that they were in this sort of a bind I was describing generally.

**Mr. Charlton:** Essentially the situation was that, according to what they were told and the response from the board, the initial hearing or the original application was some time in 1978 and commenced in August 1978, prior to the election of the present council and present mayor; in effect, the present administration. The hearing was to resume in October 1979. On September 18 they received notice of the resumption of that hearing. I suppose what we're getting at and I suppose what we would like to see happen is some consideration of the political process in the province, and perhaps some effort to think about that and to see that that can be accommodated somewhere in the process of notice of hearings.

**Ms. Gigantes:** Even as a reminder, Mr. Chairman, that is a pretty short period of time.

**Mr. Clendining:** I'm going to give you a general reaction. I agree with you that everyone—municipalities, cities, private citizens et cetera—should have lots of chances to intervene, and this is encouraged. If you're implying that we are trying to avoid this through carelessness or deliberate accident, that isn't so. We have worked very hard at it and I think we have a very good record. None the less, there are people who come in, like this particular example. At the same time we have requirements and regulations which limit or minimize, if you like—maximize?—anyway, set the amount of prescribed time for these various things. We always work within that.

We usually—I would like to say always but to be safe I'll say usually—add a few days to be safe, to make sure that everybody has an extra opportunity. Now I'm speaking of our policy. Again, if I could have the facts on the particular city of Toronto thing—I know I could go back to the transcript and I could read it all, but if you could give me what you have—it would help me to be more specific, and come back with some answer I hope would satisfy you. Moreover, if there is a problem that I'm not aware of, which I doubt, then I would like to know about it anyway.

**Mr. R. F. Johnston:** What's your reaction to a policy like this? I'm not sure if this is possible, so you can fill me in, taking into account the political process at the municipal level. I presume you know fairly well in advance when these hearings are going to take place and when they are going to resume.

**Mr. Clendining:** We know in advance about the same length of time as the notice. We probably have a few days extra because we arrange for the notices to be put in the newspaper. That's about the lead time we have.

**Ms. Gigantes:** But you're certainly aware that when elections take place in municipalities across Ontario, there may be people who've just been elected, who consider the matters before your board of grave concern. Perhaps what is required is a change in your procedure or regulation, or whatever, so that you, just as a matter of course, notify councils after the municipal elections that there is a hearing in process.

**Mr. Charlton:** I don't think we were trying to imply that anything that happened was deliberate. But municipal elections in

the province all occur in the same year, every second year. Just as a suggestion it might be a thought, that you take note of, and each election year, when new councils are elected, if there are hearings which have already started in particular municipalities, and will be continuing at some point, even if you don't know what the dates will be yet, if you just inform the council that a hearing has commenced and will be continued on a second phase, or whatever the case happens to be, it can at that point take whatever action it feels necessary to prepare itself for it.

**Mr. Clendining:** Very well. I understand your concern. I would remind you that all the municipalities have some form of continuity, whether it's the town clerk or whatever the administrative title is. As I understand it, what you're asking is that we, upon completion of a municipal election, check to see if there's a new group, and if there is a new group, then we issue new instructions—

**Mr. Charlton:** The other thing you have to remember, even though members of councils have a fairly large degree of continuity and quite often there are absolutely no changes at all on the surface, is that councils operate on committee systems much the same as we operate here. Even if the council does not change at all, the committees of council may, in fact, change substantially, and there may be an unawareness of exactly what's in the works.

**Mr. Clendining:** I know I shouldn't argue but I'll just take one last pass. Let me use an example right here. If there is an election and we had a new group of ministers, I would assume the administrative people—deputy ministers, or whatever—would keep the wheels turning and inform the new minister, the new politicians or the new members of the Legislature of whatever was pertinent without asking the National Energy Board, for instance, to please send out new notices because there are new people. I'm not trying to be funny. I'm saying I hear you and I share your concern because we want participation, but it could be a horrendous logistics problem.

[12:00]

**Mr. Charlton:** The thing is, here, when there is an election, and no matter how many changes there are, we have a bureaucracy, we have deputy ministers and so on and so forth who are going to bring new ministers, and in fact, members of committees and so on, up to date on the process. In the municipal case, how many municipalities do you

know of that have departments of energy where you are going to have administrative people who are specifically assigned to energy concerns and the price of natural gas? That's an administrative problem for municipalities. Any concern that a municipality might have about the price of gas in the municipality is, for the most part, going to be a concern that's spelt out and followed by the politicians as opposed to the administration of that city.

**Mr. Clendining:** I understand your concerns, I share your concerns, We will do our best.

**Mr. Charton:** That's all we can ask.

**Mr. Clendining:** Thank you. And you will send me that other material, I assume?

**Mr. R. F. Johnston:** I'd like to follow up a bit on this municipal side of things and ask a couple of questions. As a new member here, recently elected, and my first time in this kind of a committee, I'm a little frustrated by our inability to deal directly with the rates at this point because of the upcoming report that's to be tabled.

There are a couple of things that have happened in the city of Toronto—one that has happened, and one that is about to be proposed—that I would like to lay before you and get your reaction to. One has to do with the passing of a motion this summer, by unanimous consent of the city council, for a flat rate tariff approach to hydro rates in the city of Toronto. That hasn't been able to come into force because Ontario Hydro is not in favour of this taking place, and certainly not before this major review is undertaken. I wonder if the matter was brought before the board, if the board is aware of the city's moves in this area, and what your response is to that kind of approach of establishing flat rates municipally.

**Mr. Clendining:** If it came up in a Hydro hearing, I'm not aware of it. The Ontario Energy Board is not involved, as you know, in setting or recommending rates at the municipal or city level. So really, other than having read the newspapers, I can't give you much more information.

**Miss Wychowanec:** Mr. Johnston, the issue that you're referring to was not raised in the costing and pricing study.

**Mr. Clendining:** No, it's a more current matter.

**Miss Wychowanec:** I don't know if it happened in the bulk power rate hearing.

**Mr. R. F. Johnston:** There is a letter from Mr. Macaulay in response to Alderman Gilbert, who is the one who proposed this mo-

tion, which basically says, "I'm sure that you are aware that the Ontario Energy Board has just completed exhaustive hearings on the costing and pricing of electricity," and that they are expecting that to be released in the near future and therefore he felt nothing should be done. So he didn't link it very directly with that. It did not come before the board. I think it's just a response to the bill and the letter by Mr. Macaulay.

May I ask what your opinions are in relation to action being taken by a board which you do control, Ontario Hydro, and in terms of intervening when a municipality like the city of Toronto tries something like this? Would this not be a good time to allow a municipality like Toronto to experiment with this kind of rate structure, regardless of whatever reports are coming in, whenever they happen to arrive?

**Mr. Clendining:** I'm sorry, Mr. Johnston, I just can't say. I just have no feel for it. Certainly, we have no jurisdiction. In our reference from the minister for the bulk power hearing which, of course, deals with the rates charged to the municipalities at the wholesale level, as I recall, I would have to check the reference, but I believe we were directed not to change the rate structure, or words to that effect. So that was not an issue even at the bulk power hearing.

**Mr. R. F. Johnston:** So if it's outside the board's jurisdiction, do I then understand that it's within the minister's jurisdiction? Can I ask you, Mr. Minister, what your opinion is of the idea of a municipality like Toronto instituting flat rates, when it's a unanimous decision by council to do so, and Ontario Hydro, with minor reservations as to phasing of that program, concurred with it? In fact, it came as a recommendation from staff from Toronto Hydro, and then Ontario Hydro has said, "No, you may not proceed in this area."

**Hon. Mr. Welch:** If I may just get two pieces of information. It's my understanding, and you can correct it, that the city of Toronto has made no representations to the board in connection with the costing and pricing—

**Ms. Gigantes:** That's why we're talking to you, because the—

**Hon. Mr. Welch:** But why didn't they—

**Ms. Gigantes:** Because it's not within the board's frame of reference. The board has the power to set the wholesale cost—

**Hon. Mr. Welch:** No, I'm talking about the electricity costing and pricing study. This is more the point that the honourable member is making. It has to do with—

**Ms. Gigantes:** ECAP had been going on for two years by the time this council had started.

**Mr. R. F. Johnston:** This was only passed this July 19, or July 20 of this summer, and I'm not sure exactly where it has been forwarded.

**Hon. Mr. Welch:** I think the short answer to your question is that once we have the report in connection with costing and pricing, obviously the government is going to have a report to which it's going to have to respond. I would think the most direct political input from the city of Toronto is in attempting to influence what the attitude of ministry and the government will be in responding to the recommendations in that report.

**Mr. R. F. Johnston:** What's your attitude in general to municipalities taking a route that differs from policy in general around the province, perhaps being used as a test case et cetera? Do you see that as a possibility?

**Hon. Mr. Welch:** I think the history with respect to the establishment of rates has been to treat the whole province in the same way. I would think if the particular—

**Ms. Gigantes:** Why shouldn't there be a local option?

**Hon. Mr. Welch:** Obviously, if there is any moderation or any benefit that flows to one particular municipality, and indeed we have the principle of electrical rates that are set at cost, and somebody else has to pick up the difference—

**Ms. Gigantes:** It's a question of distribution. Toronto Hydro is going to have to pay so much for the electricity that's used. We are not talking about changing the size of the pie. We are talking about whether Toronto Hydro should be allowed to experiment with how it distributes the cost within that bulk power cost package.

**Mr. R. F. Johnston:** Perhaps I can phrase the question in a different way. If a municipality decides it wants to place a rate change like that, a different approach to the case, who has the jurisdiction, who has the right to say "No" or "Yes"? Is it Ontario Hydro, or is it the minister?

**Hon. Mr. Welch:** Do you mean what Toronto Hydro does, once they purchase the power and establish their rates? It's Hydro. Toronto Hydro would submit that particular proposal to Hydro, as would the St. Catharines public utilities commission.

**Ms. Gigantes:** Hydro would turn it down.

**Hon. Mr. Welch:** I don't know whether or not you can assume that. I think it would be

helpful if the next question is, do I have any power to overturn the decision of Hydro? The answer to that would be no. But I think to be helpful to the honourable member who poses the question, wouldn't that be the place to start? In other words, if in fact you're not talking about any benefits to flow with respect to the acquisition of the power or the wholesale pricing of the power, you're now talking about what Toronto Hydro does itself within its own area of responsibility. Certainly the municipality would attempt to influence Toronto Hydro and Toronto Hydro would put its proposal before Ontario Hydro in so far as its rate structure is concerned. That's my understanding of the steps now.

**Mr. R. F. Johnston:** I gather that has been done in one form or another, in that there is an official letter and response from Mr. Macaulay? But you're saying the minister has no ability to override that decision.

**Hon. Mr. Welch:** That's correct.

**Ms. Gigantes:** Could I pick upon that, because I was—

**Hon. Mr. Welch:** I think what the chairman of Hydro did—

**Mr. Hennessy:** Mr. Chairman, in all due respect there are other members waiting to speak, and—

**Mr. Chairman:** Mr. Johnston is still following up his line of questioning.

**Mr. Hennessy:** I don't mind waving the flag, but give me a chance to beat the drum.

**Hon. Mr. Welch:** Let me just be permitted. Mr. Johnston did raise this question. As you know, Alderman Gilbert did get a response from the chairman of Hydro. In fairness, I think the general tone was that the chairman of Hydro felt it would be wise not to comment on the ultimate decision with respect to that matter until such time as we had the benefit of the ECAP reports. Therefore, I don't know whether that should be interpreted as a definite no, but rather that he couldn't see dealing with that in isolation and was anxious to see the total picture as to rate structure and pricing.

**Mr. R. F. Johnston:** Perhaps I don't understand the process enough, but the ECAP report is the report that is coming to the board.

**Hon. Mr. Welch:** No, it's coming from the board.

**Mr. R. F. Johnston:** From the board, which I gather is not dealing with this in particular. That was my understanding.

**Hon. Mr. Welch:** No; well, the chairman of the board can answer that particular ques-

tion. I am wondering in all fairness if we aren't getting two matters confused. We have the annual review by the board of the presentation by Hydro with respect to the rate increase. That's a matter which of course the Ontario Energy Board would deal with independent of this whole question of rate-making and power-costing.

We're now talking about another specific assignment which the board is at present involved in, namely that whole area of costing and pricing of electricity in Ontario. That is the report we are awaiting, and that is the report, if my memory serves me correctly, to which Mr. Hugh Macaulay made reference when he answered Alderman Gilbert. So he is waiting for that.

**Mr. R. F. Johnston:** And that will deal with municipal rates? My understanding was that it wouldn't.

**Hon. Mr. Welch:** It would deal with the whole principle of rate structure.

**Mr. Clendining:** It will deal with the concepts, principles of rate structures, as they are applied to electricity.

**Ms. Gigantes:** I would like just to throw in one little comment. The modesty of the minister in claiming inability to influence the policy of Ontario Hydro in these matters is charming but irritating, because I know so well that Ministers of Energy and the government and the Lieutenant Governor in Council—the powers that be in the Conservative government—have made decisions in the past: for example, roll backs in 1976 on the rates that had been approved by the energy board. It's not as if the minister need be powerless, if he wishes to be otherwise.

**Hon. Mr. Welch:** I was asked a question, I gave the answer on the basis of what was set out by statute, and I invite you to recall whether there was any adjustment of rates, the board or the commission which actually made the adjustment. It wasn't the minister who made the adjustment.

**Ms. Gigantes:** Heaven forfend.

**Mr. Chairman:** Mr. McGuigan, are you finished?

**Mr. R. F. Johnston:** I would just like to table this question, because I am presuming from the hearing that there is no real answer to it immediately. One of the suggestions that is coming up in the city of Toronto is going to be the concept of having insulation loans being provided by Toronto Hydro, which then would be recouped from the individuals through the savings in energy

that they make during that period—another municipal initiative.

I am wondering if you know whether that concept which is being discussed in the States a lot, and I think is maybe being implemented in Oregon and a couple of other states, is something that is included in the report looking at rate structure and that sort of thing.

**Mr. Clendining:** I doubt it, I don't think it is immediately relevant.

**Mr. McGuigan:** Mr. Chairman, I would like to ask Mr. Clendining about gas pricing policy, particularly talking about Union Gas, when the thing is before you.

**Mr. Clendining:** I would have to say it would depend on what you want to discuss, but I don't want to be evasive so let's talk about Union Gas, and if we feel that we should leave it until the hearing is over, we can say so. We can talk about company X just as easily.

[12:15]

**Mr. McGuigan:** As you are well aware, Union Gas has a new president, a man I would gladly count as one of my constituents. I didn't say "supporter," but as a constituent; I'm glad to count him as a constituent.

I think, and I am doing a lot of guessing here, that part of the reason there was a change in the presidency was due to the fact that Union Gas, following the first energy crunch or scare that we had, made a contract for quite a quantity of liquefied natural gas. It was an American supplier, I believe, and this price eventually turned out to be fairly high in relation to the prices of new discoveries in Alberta.

I have to preface my remarks by saying that I've dealt all my life in commodities and the free market of commodities, and my experience is that when you make a bad deal you take your lumps on the bad deal and you are pretty well called upon to absorb those costs yourself.

**Ms. Gigantes:** Taking risks.

**Mr. McGuigan:** Yes, taking risks, although in all fairness in this case the gas and hydro utilities are really not dealt with in that context. I wonder how much of this loss is passed to the shareholders, and how much is passed forward to the consumers. Could you tell us about that?

**Mr. Clendining:** I guess we prequalified this, and we just got into that area. The matter is not before the board, but is about to come before the board, and I would just prefer not to have any comment, any feel-

ings, and decisions, because I don't know all the facts, I'm sorry.

**Ms. Gigantes:** If you turn to page 11 of the OEB annual report, you will find a description of the process.

**Mr. Chairman:** May I just remind the committee we have about 10 or 12 minutes and it's our hope as per the schedule, agreed upon the other day, to vote on 2005 before 12:30.

**Mr. McGuigan:** I can appreciate your not wanting to comment.

**Mr. Clendining:** I apologize. Just for the record, what you are speaking of is acquisition of synthetic natural gas from a local Ontario source, Petrosar Limited by name, and a contract that is in the mill with a US gas purchaser for that material. Because of the circumstances I think I would prefer not to discuss it. If someone else wishes to, fine. But there is no answer to your question at this time, anyway.

**Mr. McGuigan:** I would just like to suggest that some consideration should be given to having the shareholders perhaps bear some of the cost of a decision, because presumably had this been a winner, then the past chairman would still be in his position. Had he been a winner the shareholders presumably would have won on that. If that's not the case, then of course I can see the rationale for passing it through, but I point this out to you.

There is another thing in looking at costs that are presented to you and getting down to some of the minor points. I was told by a utility worker quite a number of years ago that you could always tell when there was a rate application coming forward, because for about a year before the rate application there would be a great flurry of activity in overtime, extra time and repairing, and in doing all sorts of things that would build up the costs. Then once the rate had been achieved, these matters could be eased up on, and advantage taken of the new rate structure. Do you really get down that deep into the costs that are presented to you?

**Mr. Clendining:** In the first place, the rate applications are so frequent now, I'm sure that this high level of work load is a continuous thing. Therefore, if it's part of their day-to-day cost of doing business, it's obviously part of their cost of gas. Obviously we don't say, "How many hours did Charlie Smith work on a given day," but we do look at the productivity of the firm from time to time or other gas companies, all of them, in general terms.

**Mr. McGuigan:** It might be interesting to compare, in any utility, the amount of overtime, the amount of repairs and any other sort of discretionary costs that precede an application as compared to a longer time.

**Ms. Gigantes:** But they are in a state of permanent application.

**Mr. Chairman:** Further questions, Mr. McGuigan?

**Mr. McGuigan:** I have a local matter that I wanted to mention. The long-standing policy of Union Gas, going back to its very beginnings, was that it provided free gas to a number of institutions. The little red schoolhouse I went to had free gas for a number of years, which was cut off, I think, in the 1940s.

**Hon. Mr. Welch:** Just after you graduated?

**Mr. McGuigan:** I graduated in 1937, I guess it was.

**Mr. Chairman:** 1937 was it?

**Mr. McGuigan:** I was in the class of 1942 from high school. A rather significant date, 1942; think of that movie.

**Mr. Clendining:** That was a good year.

**Mr. Chairman:** I don't want to rush you, Mr. McGuigan, but before we go through the whole yearbook—

**Mr. McGuigan:** I've been learning ever since, I hope, I think there are only six or eight people in the province who are left in it. There are two churches in my riding that have been cut off. Part of the reason given is, it's the Ontario Energy Board's policy. Could you comment on that?

**Mr. Clendining:** In the first place, energy board policy is often used for many things, including insulation of stoves and many other things, which are outside of our jurisdiction and on which it may be redundant to comment. The general policy is there should be no free gas because that is not part of a rate structure or rates that the board sets. There were some grandfather arrangements—I don't mean to suggest that when you went to school it was that time, but they go away back in history—when Union or its predecessor in certain areas was setting up in business and where the supply of free gas to the local municipal office, church or whatever was part of the arrangement that allowed it to operate in the town or village.

I can get you more information on this from Mr. Cooke, the energy returns officer, who is with us, if you would like. I understand there may be some of those left, but

as a matter of policy, as they expire or as they can be eliminated they would be eliminated.

**Mr. McGuigan:** I would have a hard time, really, arguing for free gas these days when we do have an energy problem.

**Mr. Clendining:** And all customers of the same class in a service area are required, or are supposed to be paying the same price for their gas.

**Mr. McGuigan:** Where a church, a municipal building or whatever has been provided with free gas and perhaps the suppliers were party to building up that expectation and a mentality of not putting in insulation and so on, I wonder if, as a parting gesture, it wouldn't be a wise thing to suggest to the gas company that it try to assist such a group that is caught in paying for insulation and upgrading its building. It seems to me they have established a sort of historical right that these people have come to rely on; certainly, it has been for a long, long time. A goodwill gesture should be made there to try to ease the pain of cutting that off.

**Mr. Clendining:** I'm not just sure what your suggestion is. By the gas company, Union in this case, company U, providing some form of insulation to—

**Mr. McGuigan:** Yes.

**Mr. Clendining:** Have you suggested this to Union? Sorry, that's not a fair question.

It's a reasonable suggestion. I'm not sure what the cost would be to Union Gas. I'm not sure whether they could justify doing it for one party and not for others. It might have to be right across their entire system. I'm not sure how the board would deal with it if this became a real cost to Union Gas, which would eventually flow back to gas prices.

**Mr. McGuigan:** I think it would be a pretty minor item.

**Mr. Clendining:** One or two churches would be, but if it became a company policy—

**Mr. McGuigan:** I think there are six. As I recall, there are only six.

**Mr. Clendining:** —right across the province, it could become a costly program. But I won't prejudge.

**Hon. Mr. Welch:** All denominations?

**Mr. McGuigan:** I believe so. I think this one is yours.

**Hon. Mr. Welch:** They didn't have an ecumenical approach to it.

**Mr. Chairman:** Mr. McGuigan, Mr. Hennessy is on the list in the few minutes remaining.

**Mr. McGuigan:** Sure, go ahead.

**Mr. Hennessy:** When there is a hearing in the city of Thunder Bay, a notice appears in the paper, and if you're lucky to read the paper, you know about the hearing. I don't think enough information is given to the general public with regard to the hearings. A group comes in, probably from Toronto, and they figure there's no use staying there as they are liable to be stuck overnight or something, so they have their hearing and they are gone. I would like to see more time and information given to people in northwestern Ontario regarding what hearings are going to be held.

There may be persons who want to come to the hearing from Dryden, which is 225 miles away and they don't know it was being held in the city of Thunder Bay. I think you should notify the outlying northwestern municipalities in plenty of time that a hearing is going to be held in whatever municipality it's going to be held.

On the suggestion by the opposite side and in regard to the Toronto city council coming in with the recommendation that a flat rate structure be instituted, I would like to remind the city council that there are many other people in Ontario. It's not only the city of Toronto that you would have to think about, but it would be all people in Ontario. Why should you make a special rate structure for the city of Toronto and forget northwestern Ontario and other parts of Ontario, which have just as severe winters? I would like you to take this into consideration.

**Ms. Gigantes:** You misunderstand me.

**Mr. Hennessy:** I never misunderstand. You people play it three ways. I can only play it two.

**Ms. Gigantes:** It is not a—

**Mr. Hennessy:** Please, let me have my two minutes. You had the whole morning.

**Ms. Gigantes:** On a question of privilege Mr. Chairman: Our suggestions are being misinterpreted, and I think it important to understand that we did not suggest that the overall cost to the city of Toronto or Toronto Hydro be any different from anywhere else in the province. It was simply a question of how Toronto Hydro was permitted to collect between different classes of customers and within what rate structure.

**Mr. Hennessy:** You said a flat rate, and flat seems to be level as far as I'm concerned, like a lot of people's heads here.

**Ms. Gigantes:** But within the total amount—

**Mr. Hennessy:** No, let's be honest about it. A council can bring in a resolution. I would just like to say, to give my two cents worth, that I represent Thunder Bay and the Fort William riding, and I think that if any preference is given to this area, the same preference should be given to the whole of Ontario. After all, we're all residents of this province. It's not only the members of council for the city of Toronto who can bring in a resolution to that effect. I'm speaking for the people in northwestern Ontario also.

[12:30]

**Ms. Gigantes:** Mr. Chairman, I feel I must stress that I can't allow Mr. Hennessy to claim we have asked for preference for the city of Toronto. That is not the case. Under the proposal that we suggested—which would be an option allowed to a municipality that cared, under its own municipal arrangements with Hydro, to change the rate structure—there would be no difference in the total amount paid to Ontario Hydro or any subsidy to the city of Toronto. I insist that I can't allow Mr. Hennessy to claim that we have asked for preference for the city of Toronto.

**Mr. Hennessy:** Unless I'm going deaf, I heard what you said.

**Mr. Chairman:** Your objection is noted.

**Mr. Clendining:** I will be very brief, Mr. Chairman. Mr. Hennessy, with respect to notice of hearings and such matters, notices

of applications and hearings are put in all newspapers in each area affected by a hearing well in advance. We did discuss this morning what "well in advance" means, but we'll continue to improve that within the regulations. Moreover, municipalities, which include cities such as Thunder Bay and other communities, are served with a notice of the application as well.

I do believe we do notify, or we instruct the company to notify and the company, in time, shows us affidavits that it has notified, through these two processes, the people and the local governments involved. I do agree that a little squib in a newspaper could be easily missed. But that's one of the reasons municipalities are served, in addition to the general notice in the newspaper.

**Mr. Hennessy:** With all due respect, sir, the only thing that people don't miss in little ads in the newspapers are the Wintario numbers. A lot of times you can read the paper and miss something until somebody says, "Did you see this in the paper?" Then you have to go back and look at the paper.

**Ms. Gigantes:** Maybe you could publish the notice next to the Wintario numbers.

**Mr. Clendining:** That's an excellent suggestion. We'll bring it up at the next board meeting.

**Mr. Hennessy:** You'll sell a lot more.

Vote 2005 agreed to.

The committee recessed at 12:32 p.m.

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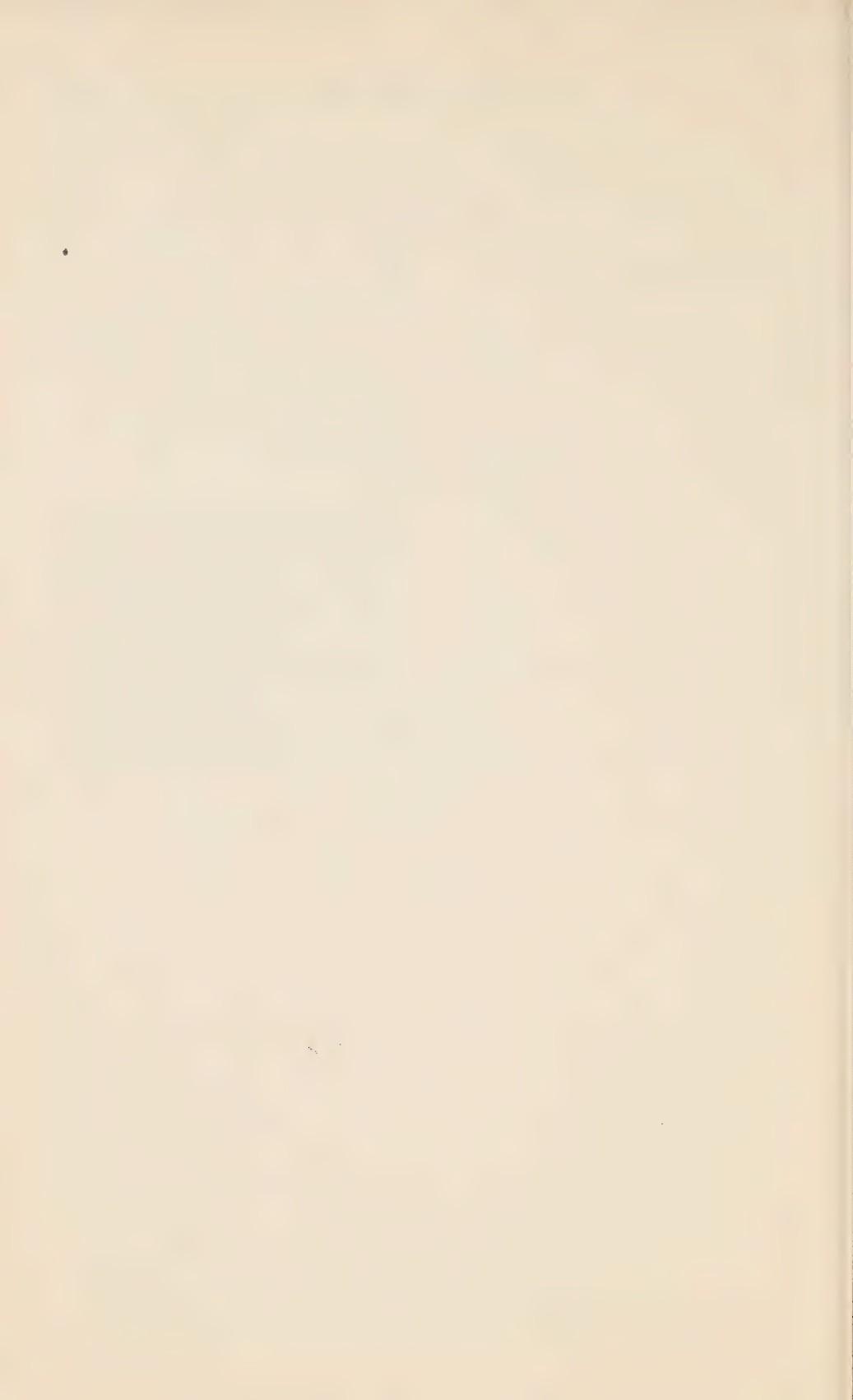
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No. G-11

# Legislature of Ontario Debates

## Official Report (Hansard)

General Government Committee

Estimates, Ministry of Energy



Third Session, 31st Parliament

Wednesday, November 28, 1979  
Afternoon Sitting

Speaker: Honourable John E. Stokes  
Clerk: Roderick Lewis, QC

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# LEGISLATURE OF ONTARIO

WEDNESDAY, NOVEMBER 28, 1979

The committee resumed at 2:15 p.m. in room 228.

After other business:

## ESTIMATES, MINISTRY OF ENERGY (continued)

On vote 2003, renewable energy program; and vote 2004, energy conservation program:

**Hon. Mr. Welch:** These votes deal with renewable energy and energy conservation. Since we have now reached them I want at this point to introduce Dr. Ian Rowe, executive co-ordinator of the conservation and renewable energy group, who now joins Mr. Rowan and I at the desk as we prepare to discuss these two particular votes.

**Ms. Gigantes:** Mr. Chairman, I would like to start, if I may, with a general comment about the two votes. As I look back over the accounts for the last couple of years, in the renewable energy vote and in the conservation vote, in both the fiscal years 1977-78 and 1978-79, there has been drastic underspending in these two categories.

I cannot conceive why this should be happening. There has been little enough allocated in the budget under these items. Even as we look at the items, for example, most of the renewable energy moneys allocated are actually moneys that are being expended by other ministries for projects which have a conservation or renewable energy content. I cannot understand why these allocations should be so drastically underspent. For example in 1978-79, in the energy development section of the renewable energy vote, the estimate was for \$2 million, roughly. The actual spending for that year, as it turned out, was about \$800,000. That is over 50 per cent underspent.

I would just like, if I could, to get some general commitment that even those miserly funds—which are being allocated in the various ministries and given to us here as if they are glowing examples of the Ministry of Energy hard at work spending special moneys of the Ministry of Energy for renewable and conservation projects—that at least those piddley amounts, and I mean piddley, we are going to be voting today will be spent. If we could get a commitment from the minister that he will do everything he can to make sure there is enough initiative on some decent projects so that

at least those moneys will be spent, I would feel a lot better about even discussing this item.

**Hon. Mr. Welch:** Mr. Chairman, the minister obviously is encouraged by the comments, and indeed would not find it difficult to assure the honourable member that on the basis of the programs with which he is becoming increasingly familiar there will be every effort to implement a lot of these with the resources we have.

I think the honourable member raises some questions that should have some answers. I am going to ask Dr. Rowe to go over some of the spending. I think there are some explanations that would be helpful as we give consideration to where we go.

**Ms. Gigantes:** I would like particularly to look at that account called energy development, under the renewables vote for 1978-79, where the estimate was for spending of \$2 million plus.

**Hon. Mr. Welch:** Yes.

**Ms. Gigantes:** In fact you had a saving in that account of over \$1 million.

**Hon. Mr. Welch:** Fine. Dr. Rowe, would you comment?

**Dr. I. Rowe:** Are you on page R38; talking specifically of the renewable energy development?

**Ms. Gigantes:** Yes.

**Dr. I. Rowe:** In the 1978-79 estimates?

**Ms. Gigantes:** And the account for the actuals is on the next page, R39.

**Dr. I. Rowe:** Yes.

**Ms. Gigantes:** I hate to see programs for such things as day care and renewable energy underspent; and it is done consistently.

**Dr. I. Rowe:** I quite agree with you it is highly desirable; the dollars are in the budget to be spent.

I would first like to describe to you the process by which the accounting procedures, et cetera, are set up. I am sure you understand the process we start out with, which is a management-by-result type of budgeting procedure under which we propose to work in certain areas.

Take, for example, the residential renewable programs. We propose to try to have solar collectors and so on put in place on residential construc-

tion. That automatically puts it into the venue of the Ministry of Housing. So we bargain with the Ministry of Housing, with respect to some of its Ontario Housing Corporation projects or its Assisted Home Ownership Program projects, to use the funds they already have at their disposal for building the housing frames and so on, and we add additional funds for solar collectors.

In a particular instance I am discussing with the Ministry of Housing it was agreed we would go ahead and adapt the Saltfleet housing project, which is 24 housing units. Eight units would be built in the normal way that the Ministry of Housing saw fit, under the present building code, to construct the units. A further eight units would have a much higher level of energy conservation, along lines proposed in new building codes. The third set of eight units would have solar collectors for collection of domestic hot water, et cetera.

We actually made a bargain with the Ministry of Housing and allocated funds within our own budget for use by the Ministry of Housing on the Saltfleet project. The Saltfleet project was put out to tender; architects were obtained and work proceeded. However, along the road it was determined that in the particular area, the Hamilton area, there was not the pressing need for that kind of housing; and also that the particular kind of housing, row housing, was not fully marketable.

We were, then, in the position of having blocked off funds for that particular project, which at some time could and should go ahead, but on the advice of the Ministry of Housing now was not an appropriate time. At the eleventh hour, one might say, the Ministry of Housing took the decision to not go ahead with that project in that fiscal year.

This meant that those funds, which of course were blocked funds, were simply not available for spending on that project and were not available to be spent in a proper and appropriate way for any other projects. I use that as an example.

I would also draw to your attention that in order to administer funds at this level one has to have appropriate support staff. Acquiring support staff, getting approval to acquire support staff, is itself a long, drawn-out process. At the time this budget was struck, at the time they were working on projects such as Saltfleet, the Ministry of Energy had one solar expert on staff, one person to administer these projects.

I think it will soon be a matter of public record, because you will see the advertising go out to the newspapers, that Management Board of Cabinet has seen fit to approve an increase of staff for administration of the current year's projects; and we will be making further applications in connec-

tion with administration of future projects.

So I have to say to you that at the time a budget is growing, if one is to properly and appropriately administer the budget, one has to have the staff resources to do it. I draw this to your attention as a second for-instance on why there was not full spending as set out in last year's estimates.

I could go on and give you other particular examples with respect to the spending on Confederation College or Commissioner Street or Thorold, all of which were bona fide projects on which we had a high expectation of being able to spend the committed funds; but for one reason or another they have been delayed, not through the responsibility of anybody within the Ministry of Energy but by third parties, sometimes in circumstances completely beyond our control.

Commissioner Street, I think, is a very interesting example. We had set aside \$100,000 in that particular budget, and we spent the \$200,000 shown on page R39 for other energy-from-waste projects. Metro and the others involved on that particular project have still not seen fit to make final decisions to go ahead on that particular project in this fiscal year, to say nothing of our hopes and expectations of spending moneys from the last fiscal year.

**Ms. Gigantes:** Basically, what you are laying out here is the problem of the Ministry of Energy trying to put innovative designs and equipment into undertakings of the government in general, when the government is generally cutting back on all new undertakings. You are going to have a difficult time, Mr. Minister, if you keep on looking for innovative new housing projects, or schools or something like that, for your renewable energy spending, because this government is not spending in those areas.

**Hon. Mr. Welch:** I wonder if that is really the conclusion you can draw from what Dr. Rowe is indicating. I think he is trying to emphasize the advantage of having the money in our budget, charged as we are with some overall responsibilities in this area, even though the delivery or the translation, or however you want to phrase —

**Ms. Gigantes:** You cannot deliver it to thin air.

**Hon. Mr. Welch:** The point is he is giving you some explanation.

**Ms. Gigantes:** I understand the explanation. I think you are going to have difficulty implementing even a demonstration renewable energy program.

**Hon. Mr. Welch:** It has nothing to do with any restraint from any ministry.

**Ms. Gigantes:** There is no public housing being built these days, so you are not going to be

able to put renewable energy into public housing; that is my point.

**Hon. Mr. Welch:** I see. We will have to find some other way.

**Ms. Gigantes:** I guess you are going to have to, yes.

**Dr. I. Rowe:** Just addressing that particular point. The previous Minister of Energy (Mr. Auld) did announce in the House, in August, another mechanism for spending in the housing sector where the spending would be through the Housing and Urban Association of Canada, which is of course building housing for the private sector. What he was really doing there was heralding a shift from spending money on public housing stock and a move into private housing stock.

[2:30]

**Ms. Gigantes:** Mr. Chairman, I would like to refer to the Ministry of Energy and Ministry of Government Services accounts, the multi-year plan for energy conservation in government buildings. There is an amount given. It comes just before that section called Ministry of Energy regulatory affairs program.

**Dr. I. Rowe:** I suspect you are under the conservation account, because under renewable energy we have no funds in the Ministry of Government Services.

**Ms. Gigantes:** That is right. I am just flitting back and forth here.

**Dr. I. Rowe:** Mr. Chairman, do I understand then that we will be dealing with both votes concurrently?

**Mr. Chairman:** Yes.

**Dr. I. Rowe:** Thank you. On that basis then, could I give notice to staff that there may be questions relevant to the conservation area, and we are just staffed here now for particular questions on renewable energy. Perhaps staff would make whatever moves are necessary.

**Ms. Gigantes:** Mr. Chairman, does the minister have the account I am looking at? There is a point I would like to make to him.

**Hon. Mr. Welch:** What page are we on, Mr. Chairman?

**Ms. Gigantes:** We are on a page in your briefing book, Mr. Minister, which comes right before the end section where your speech is and all that jazz. It comes directly before—

**Hon. Mr. Welch:** I will find it quickly since you have identified my speech.

**Ms. Gigantes:** Yes. It is a bit before that, probably about 15 pages before that. It would be a great help, Mr. Minister, if in the future you

could get ministry staff to number the pages on these things.

**Hon. Mr. Welch:** I think your point is well taken. It would help the minister too.

**Mr. Chairman:** An excellent recommendation.

**Ms. Gigantes:** Perhaps I could help you find it—if I can put my finger on it.

**Hon. Mr. Welch:** That is even better.

**Ms. Gigantes:** Would you look at those figures, Mr. Minister? The way this accounting is done conveys to me at least, and I wonder if it will to you, a certain negativity about the whole program. For example, let us look down here at the cost of the survey for each of these projects, plus the cost of implementation. You add those two columns and get the total cost. Now why the devil is that given as the total cost when you are saving energy every year? Why don't you at least subtract the column called "energy cost avoided" from that column which is put down as "total energy cost"?

For example, if we take the totals at the bottom, we have a cost of survey of \$3.5 million and a cost of implementation of \$14 million. What is given as the total cost? It shows \$17.5 million. Look back at energy cost avoided, which is \$7.7 million. Why don't you subtract that \$7.7 million from the \$17.5 million and make the program look positive?

**Dr. I. Rowe:** I don't think there is any desire to make it look negative.

**Ms. Gigantes:** If you look at total cost you see that the government has spent \$17.5 million and you don't understand, if you just look at the totals, that the government has also saved \$7.7 million. I would like to see a positive approach to the accounting on these programs, small as they are.

**Hon. Mr. Welch:** I would like to say I agree with you.

**Ms. Gigantes:** Good.

**Hon. Mr. Welch:** There is no question about that. Indeed we set it out this way for the purposes of making our presentation to management board, but it would seem that for public review and public evaluation—

**Ms. Gigantes:** And for management board. It probably helps to be positive, Mr. Minister.

**Hon. Mr. Welch:** I think as a result our management board has been persuaded to be somewhat generous with us.

**Ms. Gigantes:** I don't agree.

Continuing on conservation, could I ask about the program that was undertaken, I believe in co-operation with the federal government, to

develop energy efficiency models and programs with the municipalities of Ontario? I understand all municipalities were circulated with an invitation to join in such a program. Am I correct?

**Hon. Mr. Welch:** That is true.

**Ms. Gigantes:** When were they invited?

**Hon. Mr. Welch:** Dr. Rowe perhaps could give you the details. I make some reference in my remarks with respect to—are you talking about the appointment of energy co-ordinators as far as the municipalities are concerned?

**Ms. Gigantes:** Right.

**Hon. Mr. Welch:** And the 200 municipalities we now have involved in that particular program?

**Ms. Gigantes:** What is the program so far? I understand all that's happened so far is we have little booklets going out to the municipalities?

**Hon. Mr. Welch:** Going out to the municipalities?

**Ms. Gigantes:** Yes.

**Hon. Mr. Welch:** Perhaps Dr. Rowe could describe the program with the municipalities in which we're involved.

**Dr. I. Rowe:** First, if I might Mr. Chairman, I'd like a point of correction. I wasn't aware the federal government was involved in that particular activity.

**Ms. Gigantes:** Is it purely provincial?

**Dr. I. Rowe:** It's purely provincial; the municipalities are the responsibility of the province.

The first part was a meeting of the Minister of Energy with the Provincial-Municipal Liaison Committee. The date escapes me and maybe the deputy—

**Ms. Gigantes:** A rough guess would do.

**Mr. Rowan:** It would either be March or April of this year, following on the meeting the Minister of Energy had with the Provincial-Municipal Liaison Committee last fall, when he met with that committee and suggested a joint approach be undertaken.

You may recall the regional municipality of Durham had undertaken a program of energy conservation, had established a co-ordinator for the region and had really developed what you might call a pro forma approach, which was undertaken in co-operation with the ministry.

We used the model in Durham to identify the areas of particular opportunity.

**Ms. Gigantes:** Mr. Chairman, this year we've moved along so far that the Ministry of Energy meets with the PMLC and explains rationing to them. We've just missed a gigantic step somewhere in between. In the fall of 1978 we got an

explanation of how the province is going to institute a co-operative program of conservation with communities in Ontario. This year the ministry explains how the federal government may have to step in within the next few months and institute a rationing scheme. In between, as far as I understand it, there has been a booklet.

**Dr. I. Rowe:** I think we're getting a few issues confused here.

**Ms. Gigantes:** No, you'll understand it when I—

**Dr. I. Rowe:** I do understand the various points being made, but what you talked about in so far as our follow up with municipalities is concerned and the booklets, has nothing to do with the energy seminar or the supply seminar we had.

**Ms. Gigantes:** Yes, I understand. You've been working with the municipalities. One year ago you went to the municipalities and said, "We can help you with conservation programs." Further on down the road—a few months later—they got some booklets from you. The next thing we know, instead of having co-ordinators established in all these communities and programs being developed at the community level, we get the PMLC meeting with the ministry.

We're at the level now, having missed the whole conservation program in between, of getting into discussing how rationing will be implemented.

**Hon. Mr. Welch:** With the greatest respect, Mr. Chairman, I don't think the honourable member is really being fair in the chronology. What Dr. Rowe and the deputy have been talking about—

**Ms. Gigantes:** There's nothing wrong with the chronology.

**Hon. Mr. Welch:** There is, because you're now starting with some meetings within the last month or two related to a presentation to the PMLC and subsequently a seminar with officials of municipal transit systems explaining federal legislation with respect to emergency allocation of supplies.

You started off questioning us with respect to a conservation program—

**Ms. Gigantes:** I know; but in between there's been no conservation program.

**Hon. Mr. Welch:** That's not the case.

**Ms. Gigantes:** There were the booklets.

**Hon. Mr. Welch:** Let us tell you about it. Would you give us a minute? Let us tell you about the work we did in the municipalities, prior to the booklets and since the booklets.

**Dr. I. Rowe:** Let me first make the observation that before going to the PMLC we had to set up a

joint steering committee between ourselves, the Ministry of Energy and the committee, which put together the eight-step program first described in the booklet, which was circulated at the first meeting of the PMLC.

The object of that first meeting of the PMLC was for the minister to formally ask for the approval of resolutions by the municipal councils to participate in voluntary energy conservation and to appoint energy co-ordinators to serve as contacts.

**Ms. Gigantes:** How many do we have now in Ontario?

**Dr. I. Rowe:** Resolutions have been passed and we now have over 200 energy co-ordinators.

**Ms. Gigantes:** Yes. Are the personnel now in place in 200 municipalities?

**Dr. I. Rowe:** Yes.

**Ms. Gigantes:** Is there provincial money going into the hiring of those?

**Dr. I. Rowe:** If you would, I would like to finish.

The second step, we said, was to have an appointment of an energy co-ordinator to serve as this contact. The third was to set up an internal reporting system.

**Ms. Gigantes:** Is that at the provincial level?

**Dr. I. Rowe:** No, there is an energy co-ordinator in each of the municipalities.

The third was to have them set up an internal reporting system; we would facilitate with that. The fourth is to have the municipalities instruct the co-ordinators to attend the seminars and workshops, to be organized by the Ministry of Energy with the relevant authorities in the various areas with whom we propose to work.

**Ms. Gigantes:** Has that begun?

**Dr. I. Rowe:** Yes it has.

**Ms. Gigantes:** How many seminars have been held?

**Dr. I. Rowe:** Let me make one observation first. The municipal liaison committee is the top tier bracket. As you go below that you get into the associations of councils and reeves and other associations and so on. We are using ACRO as the delivery agent under municipal liaison committee offices.

**Ms. Gigantes:** What's ACRO?

**Dr. I. Rowe:** The Association of Counties and Regions of Ontario.

However, we have attended both the municipal liaison-committee meeting, which was in August of this year in Toronto at the Royal York Hotel, and the ACRO meeting, which this year was in Ottawa. At the ACRO meeting,

we invited all of the energy co-ordinators—in fact all the municipalities, not just those which had already appointed energy co-ordinators—to attend the third day of the meetings. We had energy specialists there and we ran the seminar. I could give you the pamphlet, if you collect pamphlets, that describe that particular agenda. That happened to be in the fair city of Ottawa. I'm surprised you're not aware of that because I think it was quite well attended.

**Ms. Gigantes:** When was that?

**Dr. I. Rowe:** That was early November of this year—somewhere between November 1 and November 5 was when the ACRO meeting was held, and then our meeting was held.

**Ms. Gigantes:** Has there been one seminar which the energy co-ordinators were invited to attend?

**Dr. I. Rowe:** No, this is the second major seminar to which they were invited.

You'll recall the initiatives we set out: needs to work in building programs; in urban planning, including zoning; in transportation and so on, in that original pamphlet. It proposed working in each one of these particular areas.

The street lighting program was the first one that was up and running. That has been a package delivered by Ontario Hydro and the Ministry of Transportation and Communications on our behalf to all the public utilities commissions across the province in order that they would facilitate municipalities to carry out a program of conversion of street lighting from tungsten to mercury, or high pressure sodium or what have you, as appropriate.

That series of seminars is now finished to the point where all the PUC's have the capability of assisting municipalities in their cost-value work and so on. That seminar series will now be repeated on behalf of the municipalities using the local PUC's as the facilitators, which is just one typical area.

In the buildings area I have to say the program isn't going as fast, but what we have proposed to do and have developed is a resource handbook. I would be very pleased to have Mr. W. Chick, the commercial sector adviser in our energy conservation section, place in your hands a copy of the resource handbook that is being provided to all the municipal co-ordinators. It is an information tool to help them carry out their energy audits.

We recognize that within various kinds of municipalities there are various levels of capabilities. For very large cities we're using as a model the energy auditing procedures of the city

of London; for a region we're suggesting the procedures that have adapted by Durham.

[2:45]

Our function is to gather together case studies, deposit them in these manuals and make them available to all of the municipalities.

I must at this point say this program is in the hands of Mr. Chick, who's also responsible for administering the space conditioning program of the Ministries of Government Services, Colleges and Universities, Education, Correctional Services, Community and Social Services—in fact all the buildings programs as well as the other areas. We have, in fact, proposed to management board that this program is sufficiently important that additional staff resources should be made available to this particular program.

**Ms. Gigantes:** I'm gratified to hear that. Could I ask about the notes we have in our briefing book? I'll start with the energy conservation program.

The program goals are set out—again I can't give you the page number, it's vote 2004, the fourth page of that section; the program goal reads:

"To contribute to the reduction of the provincial rate of growth of demand for energy to two per cent per year by 1985."

Is that primary or secondary demand?

**Dr. I. Rowe:** In these particular program goals we are normally advised to use primary energy. We go to secondary energy in our sector analysis. When we talk about the province as a whole we use primary energy.

I know it may seem confusing and difficult to relate; I have a personal preference for working with secondary energy.

**Ms. Gigantes:** Why don't you do that, because while I don't find it particularly difficult or confusing any more, although I did, I do find it to be an underestimate of the potential?

If you talk about secondary demand, you can obviously cut back on secondary demand a great deal more than you can on primary demand, particularly if electricity is being used for the wrong purposes.

**Dr. I. Rowe:** I personally agree that secondary energy is much easier to comprehend from the point of view of the user. The difficulty comes when you deal with cross-provincial transactions and so on, where we have a responsibility to deal in primary energy terms because we have to reconcile these transactions with the rest of the country.

**Ms. Gigantes:** I think the rest of the country should be talking about secondary energy too.

**Mr. J. Reed:** Just as a supplementary to that: Do you eliminate the primary energy component when you're assessing the efficiency and the desirability of some of those things?

**Dr. I. Rowe:** I don't understand. You used the word eliminate. Let me put it to you this way: when we look at the efficiency of a system, such as the use of energy in a house, a building, an industrial plant or something like that, we're dealing essentially with a secondary energy calculation if the key word is efficiency.

**Ms. Gigantes:** That's what the key word should be in conservation programs.

**Mr. J. Reed:** Okay, but help me with this.

When you're translating it as secondary energy, wouldn't you be concerned about the source of that secondary energy, how much primary energy it takes to make that secondary energy and what thermodynamics apply to that when you're choosing the desirability?

**Dr. I. Rowe:** I would quite agree with you. You're now talking about the broad area of net energy analysis, where one should trace the process right back to the initial source. I quite agree with you.

**Ms. Gigantes:** Mr. Chairman, I would suggest strongly to the minister that he take note of the feelings of this committee and his staff as expressed now, and insist that from now on the ministry start talking in terms of secondary energy use, at least in the conservation program.

**Mr. J. Reed:** Hold the phone, you can't do that.

**Mr. Acting Chairman:** While we are on the same wavelength, would members like to put on the record their understanding of primary and secondary energy?

**Ms. Gigantes:** For example, if your whole system, including your electricity system, used natural gas, if every bit of the energy came from natural gas, then the primary energy use would be natural gas. The secondary energy use in electricity, for example, would only be that energy which is used by the consumer when it finally filters through the plant, down the hydro transmission line and so on.

**Mr. J. Reed:** That's the reason for that concept?

**Ms. Gigantes:** In all sectors of energy planning you should be talking about secondary energy.

**Mr. J. Reed:** Just hold the phone a minute.

**Ms. Gigantes:** We're talking demand and how to forecast for demand.

**Mr. J. Reed:** If you want to talk about energy conservation, you can't do it without the primary component because you can produce electricity

from a number of sources, some of which will translate into the secondary product almost 100 per cent or less a few power factors, and some of which will translate into electricity at 29 per cent or 33 per cent.

**Ms. Gigantes:** I know you prefer hydro and I understand your point, but I think in terms of planning your goals for energy you have to talk about how much energy you need in the final use.

**Mr. J. Reed:** Sure you do, but you have to know where it comes from. You eliminate that and you've defeated your whole purpose.

**Ms. Gigantes:** I wouldn't wish to do that. I'd just like to start in the right place, Julian.

Can I turn to the next page, Dr. Rowe?

**Dr. I. Rowe:** Could I caution Ms. Gigantes that in any energy analysis we must be very careful that we understand the energy that goes into the primary production of the most useful form? For example, if I look at a refinery, I see barrels of crude oil come in the door and this is converted into product. Along the way, some of the energy is used internally in that plant in order to produce the product.

The product is then sold in the marketplace and perhaps might be used with a certain efficiency; for example, number two fuel oil might be used in a home with a certain efficiency. If you look at energy, all along the way you have to account for the energy used—in the refinery, for transporting it to the point of use and so on—then you can talk about the secondary use of energy at the point of use.

I must caution you that the terms must be very carefully defined. The terms are defined for us by Stats Canada. We are trying to employ them very carefully.

When we're dealing with the transactions at the border for the oil or natural gas coming into the system, or the water that falls down over the falls, we talk in primary terms. When we deal with it at point of use we normally talk in secondary terms. We subtract the two, and we account in large part for distribution losses and use within the refinery.

The sole exception to this is the artifice around hydraulic, where there's a fictitious primary energy associated with—I always feel very uncomfortable about it—the primary energy corresponding to hydroelectrically produced. I'm sure you've debated that to some considerable extent before the select committee on Hydro affairs.

**Ms. Gigantes:** Could we move on to your sectoral analysis, the sector goals that are laid out on the next page following on from that program goal?

Residential sector, here's the goal: "To contribute to the achievement by 1985 of at least a 15 per cent reduction in energy consumption in 80 per cent of the existing residential stock through reductions in heat loss."

When was that goal identified? Fifteen per cent of what? How are we going to achieve it and when are we going to start?

**Dr. I. Rowe:** That's a very good question, because management board has said to us: "Your management-by-results proposals are much too long, why don't you make them shorter?" What I hear you saying is, "Why don't you expand them in order that they be more meaningful?"

I guess I agree with both camps.

The projection with respect to 1985 is for the ministry's business-as-usual scenario. The goal, per se, was struck about November or December of last year, as we entered the budget cycle.

**Ms. Gigantes:** Of 1978?

**Dr. I. Rowe:** Yes.

**Ms. Gigantes:** How are we doing? What are we reducing?

**Dr. I. Rowe:** The best information that has been developed on that has been reported to the select committee. We have no new information to report on that subject in the residential area. So I would refer you back to those reports.

We feel at the moment that things are running very close to what I would call "scenario two" in the OER. It looks as though we will meet or come very close to meeting that 15 per cent reduction off the business-as-usual scenario by 1985. This is not solely attributable to any particular conservation activity; it is attributable to economic problems and so on of the economy as well.

**Ms. Gigantes:** In other words, it is because the economy is not growing as fast as one might have expected or hoped, and because people are buying less energy in their own personal or business conservation programs, not because of any implementation of a government program.

Can I ask about the industrial sector goal, on the next page? It says, "To contribute to the achievement of a reduction of 10 per cent in energy consumption per unit of product by 1980 compared with 1975 levels." How are we doing on that one?

**Dr. I. Rowe:** The appearance is that we have met that goal in 1979 and not 1980. Again it is difficult to disaggregate whether or not it is due to conservation or due to economic turndown. I don't know of any mechanism or any analysis that can appropriately disaggregate the two factors.

**Ms. Gigantes:** Mr. Chairman, I don't want to take up all the time this afternoon. I have one other area of questioning I would like to turn to, and that relates to background documents which were provided in answer to a written question I had tabled in the Legislature. They are the documents on which it appears that the ministry has come up with that famous prediction that we would need \$16 billion of investment to achieve our expanded renewable energy goals by the year 2000. When I looked through these documents, and I don't know if you have them in front of you, Mr. Minister, I was astonished to see—I don't think I am reading them wrong, but again the pages are not numbered consecutively, they are numbered as bunches of reports. I am looking at a page somewhere near the middle of a bunch of material I was given. Let's see if I can get the title of the document.

The document is called Preliminary Requirements Analysis for the Ontario Ministry of Energy Solar Energy Utilization Goal, and it is dated June 1979. I have a copy that is stamped "draft".

A section of that document is labelled "Commercialization requirements: In order for existing solar technologies to become established as commercially viable forms of energy utilization consistent with OME's goals, the following participants must perform these major tasks by the specified time."

Go down to point number four there. It's got, "HVAC manufacturers should establish means of integrating solar hardware by mid-1978 in the US." Now this document is dated June 1979. How can it be a goal? First of all, I don't understand how you can set a goal, a retroactive goal.

**Dr. I. Rowe:** Might I suggest assumption?

**Ms. Gigantes:** That is an assumption?

**Dr. I. Rowe:** Yes.

**Ms. Gigantes:** Did the manufacturers in the US have in place by mid-1978 an integration of solar hardware, whatever that means?

**Hon. Mr. Welch:** Mr. Chairman, the honourable member has really raised the question as to the use of information that is dated in 1978 and produced in 1979.

**Ms. Gigantes:** No, there was a goal here set by mid-1978. The document is June 1979.

**Hon. Mr. Welch:** That is right, but now we are talking in terms of projecting that as part of this package. Is that what Dr. Rowe is answering, Mr. Chairman?

**Dr. I. Rowe:** Mr. Chairman, the most appropriate response might best be made by Dr. Roger

Higgin, who is the senior adviser for renewable energy and the adviser with respect to the particular Mitre Corporation contract to which the member is referring. Dr. Higgin, would you respond directly?

[3:00]

**Hon. Mr. Welch:** Roger might like to sit here near the microphone.

**Dr. I. Rowe:** The honourable member is in possession of documents that were sent directly to her. We would be most happy to provide any member of this committee with those documents at some Xeroxing cost.

**Hon. Mr. Welch:** I wonder if Dr. Higgin could respond to the member's question.

**Dr. Higgin:** I gather we are referring to page nine of the document, the fourth point with respect to HVAC manufacturers.

The background behind this assumption is that there is a coupling of the US HVAC market to the Canadian HVAC market.

**Ms. Gigantes:** Could you explain HVAC?

**Dr. Higgin:** Heating, ventilating and air-conditioning. Such companies as Carrier and Lennox operate both in the US and in Canada, so there is this coupling.

**Ms. Gigantes:** So that is the coupling that is referred to.

**Dr. Higgin:** It is a coupling between the US heating, ventilating, air-conditioning market and the Canadian market. In other words, these manufacturers in this particular assumption are looking at packaged type systems for commercial buildings and so on. They are saying that as far as those types of things are concerned you cannot create a new heating, ventilating, air-conditioning industry based on solar, you graft on to the existing industry which, because of the way it is developed, is largely controlled by the American-controlled corporations.

The point they are making there is that it will happen first in the United States as far as that particular type of equipment is concerned. However, that only refers to one small market within the whole solar market sector. It is the packaged heating, ventilating and air-conditioning type of systems that those manufacturers supply.

There are many other assumptions here with respect to Canadian manufacturers, with respect to Canadian actions. So that is the coupling thing they are talking about.

**Ms. Gigantes:** Yes. As I understand that document in a general sense, for example if we turn to page 10, point two, the solar collector production levels: "In order to initiate solar energy utilization"—I don't know why we don't

say "use" in Canada instead of utilization—"as early as possible, Ontario's solar system demand for the early 1980s will be supplied by existing production facilities in the United States."

Really, when you look at the attached documentation, it is quite clear that the solar systems being discussed as systems that are going to penetrate the Ontario market, are solar systems that are going to be produced in the United States in a major form up until 1990-95.

**Dr. Higgin:** No. Let me explain what is behind that assumption.

The assumption is that in order to get the maximum level of commercialization that is one possible strategy. The other implication of that assumption is that it sets the floor price for Canadian manufacturers. They have to beat the US price plus duty, plus taxes and so on. There are two assumptions there.

**Ms. Gigantes:** Let me refer you to page 16, Dr. Higgin.

**Dr. Higgin:** Just let me finish. The implicit assumption is that in order to get rapid commercialization, you have to get rapid market development and you have to have a learning curve; a learning curve, if you like, of volume production cost reduction.

They are saying in this particular assumption that if the US and Canadian markets were combined the benefits to Canada would be being part of that cost reduction learning curve.

**Ms. Gigantes:** No, I cannot accept that explanation, in conjunction for example with page 16 of this document which sets out the 3,500 man-years per year required in the year 2000 to design, manufacture, install and maintain solar systems to reach this goal. Here we are talking—and I guess it is Ontario employment—about annual labour requirements by application?

**Dr. Higgin:** Yes.

**Ms. Gigantes:** We are talking in 1980 about 50 people in Ontario; in 1985, 70; in 1990, 160. By 1995 we get to 800, and by 2000 we get to 3,500.

What this document really is telling me is that this ministry is not planning to see the development, to assist the development, to insist on the development, to nurture and assist a solar industry in this country or in this province. We are going to be depending, to the year 1995, principally on importing solar systems. Surely it is going to take more than 160 people in the province to install them in 1990? What are you talking about?

**Dr. Higgin:** The figure does not include the installation.

**Ms. Gigantes:** It says install.

**Dr. Higgin:** The assumption they are making here, and this again is one scenario, and a very preliminary one, is that if you want to get the maximum penetration of solar systems in the Ontario market in the very short term the way to do it would be to open that up to the US market; that is the assumption.

**Ms. Gigantes:** I see that assumption. I see it laid out very clearly. Does the minister have this in front of him? You don't have that, Mr. Minister? Let me tear it out and show it to you because it is very interesting. This is the amount of labour to be used in Ontario for design, manufacture and installation of solar systems. You look at those figures.

**Hon. Mr. Welch:** I think I am particularly interested in Dr. Higgin being given the opportunity to comment on the assumptions which the honourable member has drawn from this.

**Dr. Higgin:** I don't agree with the whole implication that is behind Ms. Gigantes' questioning here. The point is that if you want to get rapid solar market penetration, something which is not now happening, then this is what would have to happen according to this particular analysis.

This scenario, you can argue, would not be the one that the ministry would be pursuing. In other words it is not a strategy and I think you are trying to interpret it as a strategy.

**Ms. Gigantes:** That is what I was given when I asked for the background to the—

**Dr. Higgin:** It is one way of reaching that particular goal. I think we said in our documents it was one of many possible scenarios. It is not to be interpreted as a strategy.

I think you are misunderstanding requirements analysis.

**Ms. Gigantes:** I understand.

**Dr. Higgin:** Yes.

**Ms. Gigantes:** It is just that the minister gave us a document in October in which he talked about planning for Ontario for the 1980s, energy security for the 1980s. In the context of that document he said that \$9.2 billion of 1978 Canadian dollars would be spent in Ontario on solar systems between now and 2000 in order to achieve the goals of the ministry.

When I look at the background document, which is this one scenario I am presented with, I see on page 14: "Capital requirements by application, approximately \$9.2 billion 1978 Canadian dollars will be required to purchase solar systems by the year 2000 in order to meet OME's envisioned solar savings goal . . ." et cetera.

When I read this background document I get the \$9.2 billion repeated, and as I look through I see what that \$9.2 billion means. What it really means is that right up until the 1990s, and the late 1990s at that, we are going to be asking consumers in Ontario to purchase American equipment. We are not talking here about a \$9.2 billion investment in Canada, in Ontario. We are talking about an outflow of capital in individual purchases by Ontario consumers of solar equipment which you are hoping they will purchase from American sources.

**Mr. Rowan:** Mr. Chairman, may I just add to what Dr. Higgin has said to try to put this into perspective?

As Ms. Gigantes may recall, when the select committee on Ontario Hydro affairs was looking at the demand for electricity and alternative energy, the staff of the select committee was interested in getting expert organizations to come before the committee to give their opinion on the potential for renewable energy. The staff of the select committee came to the ministry and asked what we were doing in this area.

We were somewhat surprised to find we had engaged a company that the staff of the select committee were very interested in having as a witness, namely the Mitre Corporation in the United States. This organization has perhaps the best knowledge of an imperfect knowledge, if I may use those terms, in the solar energy field. It is a new area. There is a lot to learn, there is a new set of information, if you will. There are analyses that have to be undertaken. Mitre Corporation is the best company we have been able to find in North America for this work.

We undertook a contract with that company, in co-operation with a Canadian company because we wanted to transfer the knowledge that Mitre Corporation had developed in the United States to a Canadian consulting company. We wanted to ensure that anything that was learned about Canada was retained in Canada.

Mitre Corporation was asked to undertake a study that would identify the implications in order to meet a target of two per cent contribution towards primary energy by the year 2000, among other scenarios.

Page 16, which Ms. Gigantes has referred to, indicates the approximate number of man-years which would be required, to the year 2000, to design, manufacture, install and maintain solar systems to meet this goal of having solar energy contribute two per cent of our requirement by the year 2000. That is Mitre Corporation's view.

Your earlier comments to the effect that only a very few people would be required is not our view, it is Mitre Corporation's view. I wanted to

put that into context. Incidentally, that is the very best advice we have been able to get.

Your reference to the fact that this ministry is not doing anything to establish a solar energy industry in Ontario is, I think, perhaps a little overstated, if I may say that with all respect. We are endeavouring to encourage Canadian manufacturer of solar equipment. We are working with the Ministry of Industry and Tourism to develop an industry. As you know, there have been initiatives made by the federal government in this area. I think it is only appropriate that all levels of government address this particular issue.

With respect to your comment that it is our expectation \$9.2 billion worth of equipment will be purchased from the United States, I just don't know how you come to that conclusion. That is not our expectation. Indeed, we would hope there will develop in this country a viable solar energy manufacturing industry. There are a number of companies in that industry at the present time.

**Mr. Gigantes:** In shaky state, some of them.  
[3:15]

**Mr. Rowan:** Of the 10 companies that received federal assistance some time ago, I believe seven or eight were Ontario companies. So to suggest we are not doing anything in this ministry I think is perhaps overstating what is actually happening. We are trying to get the proper conditions under which an industry can flourish in Ontario.

That would include the establishment of standards manufacturers can be expected to meet. It includes the bringing together of individual companies into associations so they can share information. It also includes the monitoring, instrumentation and testing of equipment through such organizations as the Ontario Research Foundation. Not finally, but I will end on this note, it includes such things as the minister announced in his October 1 policy statement to the effect there would be a renewable energy development organization established, which would have as its primary focus the assistance to manufacturers in the translation of technology and capability into marketable products.

I hope these remarks have been helpful, Mr. Chairman, in trying to put this Mitre report into an overall context. It is a base document to provide a framework of information to the ministry for use in its planning process. The reference in the October 1 document to an increased amount of solar energy by 1995 is indicative of this ministry's attempt to improve and increase the capability of the industry to contribute to Ontario's primary energy production.

**Ms. Gigantes:** One of the reasons I am hopeful that under this new minister we will finally see the development of a substantial energy policy for Ontario, is I know he has been able to hold very good prayer meetings. It seems to me that for the existing state of energy policy and conservation and renewable fields in Ontario at the moment it's going to take a lot of prayer to make it work.

In response to the deputy's comments about the existing program, I'd like to read just a couple of comments that were recently printed in the *Globe and Mail*, from an interview with Mr. Gerhard Moog. You'll remember Mr. Moog.

I found it a fascinating article because—

**Hon. Mr. Welch:** He was a specialist in glass.

**Ms. Gigantes:** He has developed some experience with a building that has energy efficiency qualities. One of the reasons I find it so interesting is I know Mr. Moog is a go-getter. I know he is a very practical man and I know he's developed a good reputation with your colleagues as a man who can get things done in an appropriate way. He's quoted in the *Globe and Mail* on Monday, November 19 in the following terms—he's talking about the shelter industry and how we could implement conservation programs according to his visions. I must say mine accord very much with his. He says:

"The government could then guarantee conventional loans, even at today's interest rates, amortized over 10 to 12 years and based on the energy savings from changes."

These are changes involving conservation, insulation programs and so on.

"The work could be done by private industry with the utility inspection to make sure the work is sound before approval is given on a loan to avoid problems with fly-by-night operators encountered by the federal Canadian Home Insulation Program." He talks about a real government audit program: "The bureaucratic headaches associated with such an auditing project would be minimal because more staff will be available for such work as fewer major power plants are built in the future. Utilities could also force industry to conserve energy by eliminating quantity discounts for electrical power"—the rate structure problem.

"Businesses would look to buy their own electrical turbines to generate power for cluster developments, holding residential and office space in the one unit." To wrap up, he says:

"We have to start to set performance standards now or we'll be forever reacting to technology instead of harnessing it for our own benefit. We have to stop talking and start doing."

Mr. Minister, in closing these comments, I'd like to suggest that it's terribly important that you undertake a concerted effort to see the development of an Ontario-based conservation program, insulation program and renewable energy program. It should be one that will employ Ontario labour as quickly as possible and should not be dependent on individual family or individual business purchases of American products. It will provide jobs here in Ontario and will build up our industry in this new energy industry area.

**Mr. J. Reed:** First of all, Mr. Chairman, I'd like a little direction from the chair. There are some nonrenewable energy elements for which we don't seem to have space during estimates. I'm just wondering where we might put them—and I am not asking for a suggestion from the minister.

**Hon. Mr. Welch:** I'm choking on the answer.

**Mr. J. Reed:** Yes, I know.

**Mr. Chairman:** Julian, I'm not sure I can help much other than to tell you the agreed-upon schedule. Obviously we want to complete vote 2003 today. Clearly we have the flexibility to raise the other when we carry over next Wednesday morning.

**Mr. J. Reed:** Thank you, Mr. Chairman. I just wanted to get that on the record so we would give them some consideration. They're not considered traditional resources; they probably tend to be esoteric in a sense. However, I think they're valid subjects for discussion here.

When we talk about renewable energy, especially in the now accumulated four years I've had the privilege of serving at Queen's Park, hopefully we've begun to learn how the esoteric becomes the traditional and we've come to say of the unfeasible, "Why didn't we think of that sooner?" I sit in amazement.

My friend from Carleton East (Ms. Gigantes) has spent a great deal of time talking about solar energy in this development. I'm not going to dwell on it; I think she covered the ground very well. I'd like to branch out into some other areas of renewable energy.

I suppose the first thing is our concept of what constitutes solar energy. There has been a pervasive view at its beginnings, three or four years ago, that solar energy was somehow equated to panels with a glass or other kind of cover and liquid running through, which exchanged somewhere, and that constituted our solar future. I've always tried to take a broader approach to solar energy and included some of the other renewables. I sort of stay away from the word "solar." I would sooner use the term "renewable."

It's been my view, and the view of my party, that the potential for renewable energy development in Ontario is quite significant, and we have the capability of making a very large contribution to Canadian energy self-sufficiency through renewables. Ontario, particularly, should be able to provide a skill base—a manufacturing base, if you like, or a creative technological base—that could also assist the rest of Canada and probably North America, and one would hope we could share with the world in areas of leadership in renewable energy development.

That is perhaps an area of challenge and opportunity, but for this critic to witness what has happened with the Ministry of Energy up until this stage has been totally frustrating. There are tremendous opportunities in Ontario in the area of renewables, and there is opportunity right now to take a position of world leadership so we become exporters of our technology and of our talents. That is what we should be doing.

To watch the very reluctant way in which the government has been dragged, almost kicking and screaming, into this area of renewables as a policy is frustrating. I can remember my very first Energy estimates with your predecessor, approximately five times removed now, and discussing with him at some length the view that some priority had to be given to renewables development.

If you'll read the old Hansards, it's interesting to go back and look at the pie-in-the-sky type of response given to any approach to renewables. It should be gratifying that the ministry has come to the point where it has begun to move in that direction. We should be gratified that the word "renewables" is not a bad word any more in terms of the Ministry of Energy and Ontario Hydro. I suppose, for that I am grateful.

There's a function a government body should be performing—and maybe it's trying to perform it in its own way—that I feel is essential at this particular point in history. It was mentioned a little earlier; I think it was sort of thrown in as an aside. It was the business of the learning curve in terms of new technologies and how difficult it is—admittedly difficult—to take an idea from the point of conception and bring it to a position of general acceptance on the part of the public at large.

You can go back and take any invention you like, from the telephone to the farm tractor or whatever, and trace the number of years it took to develop that idea from its initial conception until the time it became universally acceptable.

It's quite intriguing that this year is the 100th anniversary of the invention of the electric light

bulb. I was up to Kitchener to see the display of the old carbon filament lamps and the antique electrical equipment. There was a reproduction of a sign placed in hotels around the turn of the century advising people not to try to light this particular lighting device with a match, and assuring them that it was perfectly safe in terms of their health. This was the electric light that was beginning to replace the gas lamp.

The truth is it does take time, and there's a median of about two generations. The problem is we don't have two generations any more. We're lucky if we can consider we may have half a generation between now and the time the more traditional energy forms will be beyond our economic reach.

Sure, we're going to have oil for a long time yet, and I'm not denying that, but it will be oil at what price? Many of these items we have considered so esoteric and pie-in-the-sky in the past take on a new validity with almost each day and each week. It's happened much more quickly than ever I could envisage it would happen. It's on our doorstep.

I see the function of the ministry in terms of renewables as one of an accelerator that will try to close this traditional learning curve—to try to condense it, if you like—to take the idea from conception to use, as the economics dictate. Believe me, I'd be the last person to deny economics, but I think the economics are coming with us very quickly.

The function is not just research and development. The function is a whole combination of processes—of education, of dissemination of information as quickly as possible, of bringing to people the state of the art of these various things and the recognition of their potential, both now and in the future.

[3:30]

I've been doing some assessing of some of the renewables that are considered marginally uncompetitive at present. They are marginally below where we would consider they could be useful to the province. It seems there's one factor we overlook as a government when we are considering the feasibility of moving towards the development of some of these renewables; it's what I might call the Alice-in-Wonderland factor—for want of a better description.

In terms of the energy prices we pay, we in Ontario live in something of an Alice-in-Wonderland world, compared to prices paid for petroleum in Germany, France, the United States, Japan, Scandinavia, Italy and most of the western world. With the exception of Venezuela and some countries in the Middle East, we pay

proportionately less. We recognize that and I hope we appreciate it. I hope our industry appreciates it so it can gear itself for the future.

I would suggest to the ministry that one of the things you have to include when you're doing an assessment about the relative feasibility or unfeasibility of alternatives is the unreality factor we have at present. That unreality will not stay with us indefinitely. It will disappear as our traditional supplies accelerate in their shortfall, or decelerate in their supply, especially over the next five years or so.

We don't feel it now. Things are tight but manageable, as the minister has reminded us on a number of occasions. They are getting tighter and they're getting less manageable as time goes on. For instance, in 1978 the province did a study on the feasibility of fuel alcohol, which is a renewable resource, the technology of which is pretty well in hand. There is abundant potential feedstock in Ontario, beginning with the utilization of our wastes, both the forest wastes and our municipal wastes, and ultimately, if we needed it, that huge resource we have ignored up until this time, the peat that exists in the largest quantity in Canada here in Ontario.

The assessment of fuel alcohol in 1978 suggested it was marginally unfeasible at that time. That was the Ontario assessment, of course. The federal study, which was done in conjunction with it, suggested it was feasible. I've just read the American alcohol study, which shows how they are going about making it feasible; it is probably a little different approach. The American government simply decided, as a matter of will, to make alcohol work and they have begun to move down that road.

Incidentally, the kind of road they're moving down in fuel alcohol is not one I would recommend for Ontario, because they're using agricultural land. We have other feedstock resources; we have other choices we can make.

When we had the energy debate not too long ago, I pleaded with the minister to dust off those studies and look at them again. I asked him to look at them from the point of view of the new reality that has taken place so quickly in a space of 12 months. I would also ask him to consider some sort of factoring that would relate those renewable energies to what is coming upon us—not to what we are necessarily experiencing today when we go out to the gas pumps to buy gasoline, but to the way the world is unfolding.

There are lead times involved here. For instance, if the government of Ontario decided, with a will, to develop an alternative liquid fuel which Ontario is going to need, regardless of the abundance of electric power, it would take

close to a decade to bring that on line in quantity. Even with a really concerted effort, it would take close to a decade. I think we all realize that the only time these things have ever happened more quickly was in time of war.

Instead of then making a conclusion based on what the gasoline pumps look like today, someone should do a little informed crystal-ball gazing and look at it in terms of what it is going to be like when the lead time is fulfilled. If you do that, there will be some new assessments made regarding the whole approach to renewable energy.

I would also like to urge upon the ministry at this time, and I think it has become appropriate now, that all the renewable energy thrusts—assuming they become thrusts—take on a thrust only after some kind of comprehensive input-output study has been done. You are talking about net energy, I think, Dr. Rowe, and perhaps we are talking about the same thing. It seems to me that some of our initial moves in the direction of renewables have not taken that into consideration. Sometimes we have to borrow a lot of BTUs from the existing system in order to create a unit that is going to collect some BTUs in the future but perhaps not as many as it took to create the original piece of equipment.

Some of those considerations should be made. I don't know if you are doing it now, if you are doing input/output studies, but I think they are pretty valid.

**Ms. Gigantes:** The same is true of conventional energy.

**Mr. J. Reed:** Oh, absolutely. I only related to renewables here because we are on the subject. I am going to try not to be out of order.

I would suggest another thing too. When you undertake active programs, don't be afraid to fail. Nobody wants to turn up a whole series of turkeys when it comes to these experimental projects, but you have to venture something if you are going to gain something. I would be the last person to advocate putting wads of money into projects where there wasn't any hope of recovery. That is not what I am trying to get at. We have to approach what we are doing in a creative sense, with something that comes from inside the brain. Otherwise, if we let natural evolution take its course in a lot of these things and just put on window dressing simply to create the illusion of doing something as the thing evolves anyway, we are not going to end up in a position of any leadership.

As a matter of fact, I often wonder who set the goal of two per cent in terms of renewables in Ontario; how that was arrived at. Why was it

two per cent and not five per cent or 10 per cent? I am reminded of the late John Kennedy, when he launched the program to put a man on the moon within a decade, and it was done in nine years. I don't think he did it with a two per cent complex.

**Ms. Gigantes:** It is called partially skimmed energy resources.

**Mr. J. Reed:** At discount prices.

**Ms. Gigantes:** Yes.

**Mr. J. Reed:** I wonder if that two per cent is simply an observation turned into a goal or if it is a real goal. I have a suspicion that if that two per cent represents a confined portion of solar energy, just a narrow tunnel view of it, it is probably true.

**Ms. Gigantes:** But it is five per cent. The rating book is not up to date.

**Hon. Mr. Welch:** I mentioned that in my opening remarks, as you know, pointing out that we have now changed two per cent by 2000 to five per cent by 1995. That correction was made during the last two or three months.

**Mr. J. Reed:** Fine. I stand corrected. We were talking about two per cent earlier.

**Hon. Mr. Welch:** That is true. We are talking about the total energy growth being reduced to two per cent from 2.6; so I think we are at two per cent.

**Mr. J. Reed:** Okay. We used to talk about a two per cent solar contribution by the year 2000.

**Hon. Mr. Welch:** The year 2000; that is right.

**Mr. J. Reed:** Yes. The question is, what are these things? Are they really goals or are they just observations? That is what I am getting at. In other words, if we set a goal, is it realistic to envisage a goal of substantially more than that in terms of renewables? I guess what I want to know is what you consider to be solar energy. Is solar energy solar panels or solar-designed homes, or is solar energy the broadly based renewable concept?

If it is the broadly based renewable concept, the opportunities are much greater than those very low figures. Compared to the goals that could be set, these are very minimal in my view.

When we are talking about how to accomplish these goals, there is one area that my colleague did not talk much about, perhaps because of the philosophy of the party she represents; so I will try to inject some of it. I refer to the role of the private sector in all of this and what the ministry is doing to set up a situation that will attract the private sector.

I have said many times to the minister, both privately and in public—and I suppose it should go on the record again—that there are lots of areas of renewable energy which don't necessarily require grants and handouts and so on. If those moneys are available, they should be reserved for areas that need them. However, there are some areas that don't need them; maybe they need capital infusion or some kind of thing in that direction. But let us understand what we can do and where we can work in a practical way, because there are directions in which we can move that are slowly being recognized—I hope by the ministry—as orders of first priority in renewables, where some industrial potential exists for the manufacturing of equipment and for the operation and production of energy resources.

I suppose I am going to have to mention my old saw, which has been with me for so long, about hydraulic power being the first renewable. The potential for the development or redevelopment of a very significant quantity of hydraulic power is there with us now.

I should perhaps throw in a little kicker in terms of hydraulic power. We have always gone along with the assumption that the only thing we used hydraulic power for was production of electricity. I might say there are other potentials for small hydraulic power installations which do not necessarily involve electric power. Not the least of those is the potential for heat pumping on direct drive. That could be a part of small hydraulic installations where one could pick up factors of three and four X increments and perhaps use that product in agriculture or wherever.

There are so many things that it is wrong if we simply confine ourselves. Electric power may take up the bulk of it because of the location of some sites, but it is not the be-all and end-all or the final consideration.

[3:45]

The minister and I have talked about this many times before, and I guess we will talk about it again: the need for a ministry, and it is hoped it will be the Ministry of Energy, to co-ordinate the activities of some of these areas to allow the private sector simply to operate; to break down some of the institutional barriers—to break down some of the kingdoms, if you like—in other ministries and provide a focal point for the private sector so that someone from the private sector will be able to refer to one area and at least will have spelled out for him the kinds of things he has to satisfy before he will be allowed to proceed.

**Ms. Gigantes:** Mr. Chairman, I would like to put on the record, because my colleague keeps referring to it, that I thought, when I quoted from Mr. Moog, I spoke to the enormous potential that exists within the private sector, given half a chance through government policy.

**Mr. J. Reed:** Thank you. I take your point very well, Evelyn. You are not nearly as much of a socialist as I used to think years ago.

**Ms. Gigantes:** There is nothing about socialism that precludes industry or good competitive practice.

**Mr. J. Reed:** So the co-ordination of ministries is of the essence.

There are also some other renewable potentials that involve the solving of other problems in conjunction with the production of energy. These are largely in the renewable area. I suppose we are going to have to call garbage a renewable resource; it is one that keeps coming, and our work keeps piling up on us.

**Dr. I. Rowe:** We use the word "recoverable."

**Mr. J. Reed:** Recoverable on a continuing basis.

It seems here that we haven't gone very far towards co-ordinating the efforts. We have an environmental problem here. We have an energy opportunity here. We may have a transportation problem or a transportation challenge here. There are all sorts of things involved.

I would hope that the Ministry of Energy would become the focal point to enter into co-operation with the other ministries and resolve this thing, not necessarily through government action, but by providing the opportunity for the private sector so the private sector knows clearly where it is going and what is ahead.

I would like to refer briefly to the energy security document. I have to say generally that the document was, in my view, not up to the standard I would expect the new minister to be delivering to the public. It was largely a restatement of commitments that had been made over previous years—which is fine in itself. But I thought it was a misdirection of the public to imply that this somehow is a bolt from the blue and that the government was undertaking a \$30-billion blitz to look after our energy needs into the 1990s.

In fact, most of the commitment had already been made. The hydraulic commitment had already been made, and I think it was the Ministry of the Environment that announced in 1973 a comprehensive program to come to terms with our garbage in Ontario. So we were not doing much that was new.

The new part involved the private sector, and this was the haziest part of the whole document. There were statements made about bringing the private sector into this whole business of development—something which I applaud, incidentally, Mr. Minister. Still, the obstacles remain. We have to move to open those doors.

My own view is that you would exceed the goals suggested in that energy security package if you would just open the doors to the private sector and let them get on with the job. But they have to know how to go about it. They have to know where to go; they have to know what they need to satisfy. In many instances they are also going to be fledgling industries; they are going to be in their infancy. Nobody says you have to take them by the hand financially. What you have to do is spell out a new era of co-operation between government and the private sector.

I have one other question. Dr. Rowe, in his earlier statement, used the word "fictitious" to describe some energy. I wonder if Dr. Rowe would explain what he meant by that. I was confused.

**Dr. I. Rowe:** Would you like me to address that right now, Mr. Reed?

**Mr. J. Reed:** Yes. Unless the minister would like to respond first.

**Dr. I. Rowe:** Let us look at a coal-burning thermal plant. If we consider that 1,000 energy units in coal go in the door and are burned, about 300 energy units would go into the production of electricity. The efficiency of that plant then is 30 per cent. We can identify very clearly that we would have liked 1,000 units worth of energy to have been available in that coal but, because we chose to extract only steam through the heating process used to produce electricity, we only got out 300 units of electrical energy.

Now let us take a look at falling water. If water falls through a turbine, it generates electricity. It converts potential energy from the falling water into kinetic energy which turns the turbine; the turbine drives the generator. That particular coupling and so on is rather efficient. The efficiency of a hydraulic system is very high.

However, somewhere back in dim history, because some of the country had hydraulic power, some of the country had thermal power, and so on, it was decreed that if electricity, which is a secondary energy form, is produced by hydraulic power and, say, approximately 300 units of electricity were produced through hydraulic power, the primary energy equivalent would be 1,000. I suggest to you that there is no such primary energy. It is fictitious. It is the result of a calculation based on equivalents

between a thermal plant and a hydraulic plant. So you look at the power output of a thermal or hydraulic plant, and if they are each producing 300 units of energy, you say that on a primary end each of them is producing primary energy of 1,000.

**Mr. J. Reed:** They are both 1,000.

**Dr. I. Rowe:** I suggest to you that is a fictitious energy. It is not there in physics. It is there for convenience so you can move easily from one energy form to another.

**Mr. J. Reed:** That is very interesting. The question that arises out of that is, when you are considering the desirability of an energy choice, how does it affect that desirability? Does it make electricity from all sources the same?

**Dr. I. Rowe:** I am very glad you asked that point because, as I look at the electrical mix here in Ontario and we entertain such questions as night storage and so on, that is precisely the question I ask. If we go, say, to charging thermal storage using electricity at night, where does that energy come from? If it comes from a thermal plant that might have been available in the day, then I have to ask the question, was there any real net saving by going to night storage? At the moment, with the current mix, the answer is, perhaps no. However, if we go in the direction of a higher nuclear content, then such matters as night storage take on enormous importance.

**Mr. J. Reed:** I agree with you.

**Dr. I. Rowe:** I quite agree that you have to look very carefully at the source of the power at any time you make decisions of that nature, whether they affect the time of use, the rate structure and so on. I would assure you that any time any of these matters are discussed with Ontario Hydro, the available generation mix that would go into any decision is analysed very carefully, both in the current mix and in the projected mix.

**Mr. J. Reed:** Do you have any input into the basic policy choices that are made regarding end use?

**Dr. I. Rowe:** Would you clarify whose choices and what end use?

**Mr. J. Reed:** Choices as a matter of government policy regarding end use, for instance.

**Dr. I. Rowe:** Would you say government public buildings as a starting point?

**Mr. J. Reed:** No. I was not thinking of application in that sense. What I was thinking of was, for instance, that there is and always has been a strong element that believed electric power was a suitable low-grade, low-temperature heat source. Anybody who thinks about it under-

stands that if I am making it from my little water plant out in Norval, it probably is a desirable one, because the transfer of energy is, as you've stated—

**Dr. I. Rowe:** Highly efficient.

**Mr. J. Reed:** It is highly efficient; is a one to one less factors. If the same thing is being done in a thermal plant, the actual energy efficiency changes enormously.

**Dr. I. Rowe:** That is certainly quite true.

**Mr. J. Reed:** There has always been an element in Ontario Hydro—I don't know whether there has been one in the Ministry of Energy—as well as a certain element in the general public, which says: "We have great surpluses of electric power potential. Why aren't we all going to electric heat?" That kind of thing, whether people make those choices, is determined by government policy—not altogether by government policy but to a large extent.

For instance, in the early 1970s we had "live better electrically" ads on the air. I almost got a couple myself; but never did though, thank God. The fact remains that as a matter of government policy we stopped advertising that energy utilization and began to advertise energy conservation. Now there is renewed pressure on many people, and I am sure the minister must feel it from time to time, in terms of the belief that we should be socking a lot of this power potential into the use of low-grade heat. I am asking if you have input into that, if the decision whether to go ahead in one of those directions is predicated in any way on your expertise and input?

**Dr. I. Rowe:** We have always had continuing discussions with Ontario Hydro, with the load management department, with forecasting and with the conservation department, on such matters as the appropriate use for electricity. I have always found in the current generation of staff at Ontario Hydro a reluctance to advance the cause of electricity for just that purpose, for electric resistance heating. There is a feeling that perhaps that market has developed sufficiently with respect to their needs for load factor.

[4:00]

I would remind you there was a time that electric resistance load was an appropriate load with respect to improving load factor and recognition of the fact that fossil fuel, coal, was more abundantly available than say oil or natural gas. Projections were such that it was an appropriate form to use, even though it may not be as efficient. It assisted Ontario Hydro to improve its load factor.

I would suggest to you, though, that if the question basically is one of heating, you have to

ask yourself, "What are the alternatives? Is it the use of the heat pump? What happens on the electrical system on January 5 at 5 p.m.? Is there a heat pump that is yet made which has a co-efficient of performance which is any better than electric resistance heating at the time that the system is most severely strained?"

**Mr. J. Reed:** I remember going through that exercise a couple of years ago with some people from Hydro and discussing the research that had been done on heat pumping. The conclusion that had been reached, of course, was it did not improve the efficiency of the system. Indeed, it probably detracted from it as it did nothing to help the annual peak; on the one hand because you had got beyond unity, and on the other hand reduced the actual bulk consumption of electric power at both ends before the ambient temperatures got lower.

**Dr. I. Rowe:** Right.

**Mr. J. Reed:** But of course the one very simple response to that is what the heck are you using for backup? If you are using resistance heat for backup, naturally you will not achieve those efficiencies. It has to be used in conjunction with something entirely different.

**Dr. I. Rowe:** You are quite right. This is why in discussions with Ontario Hydro we look at things like hybrid heating systems where natural gas might be the swing fuel.

**Mr. J. Reed:** The backup, yes.

**Dr. I. Rowe:** The heat pump is used in that regime where it is most appropriate, and that is where its co-efficient of performance exceeds that of one, hence is a better choice than electric resistance heating.

These discussions are going on because they can be very beautifully complemented by the load management program, load management strategy. That would allow decisions to be made by Ontario Hydro, or one of its operating utilities, with respect to the appropriate generation mix available at the time to call into service either the backup heat or perhaps the heat pump.

**Mr. J. Reed:** Is there any work being done by your division on the use of compatible renewables along with the heat pump?

**Dr. I. Rowe:** It would be helpful to me if you would define the term.

**Mr. J. Reed:** I am thinking of heat pumps exchanging in water which might be solar heated —

**Dr. I. Rowe:** Yes.

**Mr. J. Reed:** —which might be in underground streams and so on. Is that work going on?

**Dr. I. Rowe:** Yes. Would you like Dr. Higgin to expand further?

**Mr. J. Reed:** I would be very interested, yes.

**Dr. I. Rowe:** I have a slight problem, Mr. Reed. Having made notes from your remarks, we could go at length on many different topics. Perhaps you would wish to recap those matters that are of a highest priority. For example, we could pursue our experiences with domestic hot water systems for residential purposes, which would seem to be the most attractive economic application of solar. We could pursue the definition of solar. We could talk about the EFW programs, which are probably the most economically attractive at the moment. We could pursue the scenarios with respect to methanol ethanol. I could even ask you if it was your intention to place on the record that matter I discussed with you at the end of last week, where there was a suggestion perhaps that the door of the ministry was not open to a constituent of yours who had some good ideas on energy recovery. I will leave that aside.

**Mr. J. Reed:** Yes. I think that was a misinterpretation on your part, was it not? Did I not suggest to you that —

**Dr. I. Rowe:** You suggested it to me. I just wondered whether you wished to place it on the record.

**Mr. J. Reed:** No, because I don't even recall it.

**Ms. Gigantes:** You don't recall it?

**Mr. J. Reed:** I don't. I am sorry —

**Ms. Gigantes:** There is no need to be.

**Dr. I. Rowe:** We will let that pass.

**Mr. J. Reed:** No, I don't recall expressing a concern about the doors not being open to ideas and concepts.

I certainly have had a continuing concern about the pathways not being clearly enough defined for the private sector to be able to participate in some of these renewable energy projects. If you've assessed that as meaning ideas couldn't be shared, that would be a misinterpretation.

Certainly I think the minister is now aware of the specific areas of concern regarding the institutional barriers, if I can use the bureaucratic term.

**Dr. I. Rowe:** No. I understand.

**Mr. J. Reed:** I'm particularly interested in the work that is being done on heat pumps, simply because in the past resistance electrical heat has been used as the backup. If there ever was a self-defeating exercise it was that.

**Dr. I. Rowe:** Yes, that is an interesting state-

ment to make in hindsight. In the day the decision was made to use electrical resistance as a backup it was probably appropriate at the time, looking at the fact heat pumps with electrical resistance backup were trying to compete on a market against rather inexpensive natural gas.

The decisions made for heat pumps, even in those days, were probably made because of the air conditioning capability as much as their ability to furnish very efficient heat for housing.

**Ms. Gigantes:** I'd like to understand the logic of that, if I could. If natural gas were cheaper, relatively speaking, even in those days, surely it would have been more attractive as a backup system.

**Dr. I. Rowe:** I have never yet met an individual who was prepared to take his heat pump and remove the valves that permit him to operate it in the air conditioning mode. I have had that as a challenge all the years I've been in the ministry. I've asked anybody who has ever purchased a heat pump or has proposed to purchase one: "Are you prepared to use it in the heat only mode?" The answer is always no. They purchase a heat pump in order to use its air conditioning capability in the summer.

**Mr. J. Reed:** And?

**Dr. I. Rowe:** Perhaps that suggests to you that's a dual purpose use of the heat pump. It's certainly efficient over the entire year. I suggest the heat pump with electrical resistance backup is not very desirable from the point of view of the load on Ontario Hydro at the peak time.

**Mr. J. Reed:** Right.

**Dr. I. Rowe:** Therefore, I think it is worth pursuing other options and other uses of the heat pump. I propose that Dr. Higgin address just that, if you would so wish.

**Mr. J. Reed:** A natural-gas-fired heat pump rather than an electrical-fired heat pump might be more appropriate.

**Dr. I. Rowe:** That's a matter on which the American Gas Association has been doing some work. We have been interested in pursuing that. When I was over in Europe a few weeks ago I had discussions with some people at Bristol University who are making a natural-gas-driven heat pump. I asked them if they would be prepared to license into Canadian markets. I wanted to facilitate that to the best I possibly could. I regret to say they said they were not interested in coming into the Canadian market in competition with electricity and they were looking towards Europe first, but I certainly intend to pursue it.

**Hon. Mr. Welch:** Dr. Higgin, do you have a contribution to this discussion before we go on?

**Dr. Higgin:** Yes. On the specific point with regard to the heat pumps, Mr. Reed referred to heat pump renewable energy combinations. I would point out very briefly that Applewood Public School is the first building in Canada that is operating with a solar heat pump combination.

**Mr. J. Reed:** Is that the school in St. Catharines?

**Dr. Higgin:** Yes, that's the school in St. Catharines.

In addition to that particular building, there is also the sun house which was built by McClintock Homes in North York on Pharmacy Avenue. That is using a solar heat pump combination. In this case they are using air collectors rather than water and air storage.

Finally, another project which is working in this direction is the courthouse in Newmarket, which was constructed by the Minister of Government Services. That basically uses central chillers or very large commercial type heat pumps with thermal storage, and it does use solar energy for topping off the storage tank.

There are actually three projects within a 20-mile radius of this building which are using renewable energy solar combinations.

**Mr. J. Reed:** Have you had them in place long enough to be able to share the results publicly or are they still under study? In other words, would the general public have any access yet to their performance?

**Dr. Higgin:** Let's deal with them individually. At this point in time we are in the process of collecting the information about the buildings for dissemination. I would think that would be ready in about two or three months. This will include a description of the system—how it was designed, how it was constructed, its costs—and some of the early performance data from the two systems with which we have been directly involved, the Newmarket courthouse and Applewood Public School.

I might add that in the Applewood Public School we have had problems with the system. The problems have been with the heat pump, where we least expected them in that particular system. The solar system has worked a lot better than the heat pump to date. Those problems have been resolved; the heat pump controls and so on have been modified.

I think it's fair to say at this point that it would be kind of early for indications of the performance of those systems. As you may recollect, the target for the Applewood Public School was to try to obtain about a 50 per cent contribution

from solar. I don't know whether that is being met right now. We've had these intermittent problems.

We will have some information out and I hope it will be of interest to the heating, ventilating and air-conditioning community. It will be a little longer before we have a year or so of continuous operation, because we've just finished the shakedown period.

**Mr. McGuigan:** Are you aware of the Lambton Secondary School in Dresden? I can't tell you precisely when, but I would think in the late 1960s—1968, 1969 or 1970—they put in a heat pump system to pump the heat from the central part of the building to the periphery. I don't have any results on how it works. Are you aware of that school?

**Dr. Higgin:** I am not aware of that particular one, but several schools at that point in time did have such systems installed. Usually it was one of two types; either they had a central unit, or what's known as a ring system which would take heat out of occupied classrooms where it was getting hot and put it into cooler parts of the building. They had the unitary heat pump type of system.

I think it's fair to say those types of systems have saved quite a bit of energy over what would have been required had they used electric boilers or other types of systems. They have been generally beneficial and saved quite a bit of energy. Such systems are common for commercial buildings but not too common for schools.

**Mr. J. Reed:** One of the great areas of concern at the present time is the future of the greenhouse industry in Ontario and what is going to become of it with the rising costs of traditional energy forms. Some design improvements have been made in greenhouses and some kinds of retrofitting have taken place which have helped to actually quantitatively reduce the energy required, but I think anyone who is a bit familiar with greenhouses knows they produce far more energy than they consume. What happens is when the sun is shining the energy is being vented out into the atmosphere and the demand for energy only takes place when the sun goes down. They're great solar collectors.

It seems to me the lowly heat pump or something akin to it might perform a function in agriculture in the future. I'm wondering if any paper consideration is being given to heat pumps, or any form of storage, to capture that excess of heat produced on almost a daily basis in every greenhouse so it can be returned on demand?

[4:15]

**Dr. Higgin:** There are a lot of things all rolled into one in that. Let's deal with the heat pump.

Heat pumps were looked at in a preliminary way with respect to total energy conservation and renewable energy utilization in greenhouses. This was part of the study that we and the Ministry of Agriculture and Food commissioned from the University of Waterloo. At that point in time it was found that because of the additional cost of the heat pump and the availability of other lower-cost methods of saving energy—such as trapping the heat in the greenhouses and storing excess energy—it wasn't recommended as a priority direction to move because it is a fairly capital intensive piece of equipment.

As you may recollect with that, the Waterloo study plus the Vineland studies were put together in a report that the Ministry of Agriculture and Food issued to the greenhouse industry. I presume you may have seen that particular publication. If you haven't we can certainly provide you with a copy of that report.

Continuing from that, we have worked with the Ministry of Agriculture and Food in the greenhouse area. There are now three prototype greenhouses—so-called "solar greenhouses"—being compared at the Vineland Horticultural Research Institute. One of them is an Ontario-based design, the Hothfield greenhouse; one of them is the Rutgers type of greenhouse; and I just forget the actual name of the other. There are three of them being compared there. That demonstration project will be of interest as far as the cost effectiveness of the various aspects are concerned. As you know, greenhouses are also basically fitted with energy conserving devices, insulation and that type of thing, apart from their passive solar capability and storage facility.

So the key is to evaluate the cost effectiveness of these various routes you can take to save energy and use the passive solar component, and then come up with practical methods that the industry can use.

Another project we are about to get under way will be climate control by micro-computer in greenhouses. As you are probably aware, there is a great tendency for non-uniform distribution of heat in greenhouses, with tremendous heat losses from the peak and all this type of thing.

The objective of the climate control device is to recirculate heat from the hot spots to the cool spots instead of just putting on the burners to provide more heat willy-nilly whether it is needed or not.

This micro process type of thing is of great interest to the industry. It is a result of being asked to do something with this that we are

about to undertake a demonstration project with the Vineland Horticultural Research Institute.

Finally, there is another whole area which is now more in the domain of the Ontario Energy Corporation as far as the greenhouse industry is concerned. You may well be aware of the Bruce Agripark. Maybe the deputy minister or someone else would like to speak to that whole aspect, along the lines of there being a new direction for the greenhouse industry. I will stop my remarks, or at least limit them to the conservation.

**Mr. J. Reed:** In the interests of time maybe we can't pursue it, or at least I should try to leave some time for other matters. The concern in this case is not with new investment or the potential for new investment, it is the problem of the existing investment. The chap in Leamington who may have \$250,000 or \$500,000 invested in a more traditional type of greenhouse, is he doomed or is he going to survive? I think it is incumbent upon the Ministry of Energy at the present time to explore every possible avenue to try to resolve that.

I was shocked to see a neighbour of mine, who has four acres under glass this year heated with natural gas, the cheapest heat, close down for the winter. He is a very efficient operator. He has all his north walls insulated and all the rest of it. He just couldn't stand the cost of \$160,000 for this winter's heating bill. I think, especially at this particular time when we are looking at the inadvisability of transporting produce long distances because of the energy consumption or the availability of transportation fuels, that Ontario has to come to terms with its own potential for becoming self-sufficient once again, if you like, in food production, and energy has to be a part of the solution.

I realize I have commandeered a lot of time. I just wondered if you could briefly outline the state of progress on alcohols for fuel. Have you dusted off those studies? Have you looked at that again? Have you put an Alice-in-Wonderland factor into your calculations, or have you injected a what if the government has a will? Are you doing that? How far have you progressed?

**Hon. Mr. Welch:** If you pardon the expression, Dr. Higgin is our expert on alcohol.

**Dr. Higgin:** Yes, I am the resident expert on alcohol.

**Hon. Mr. Welch:** Non-consumptive.

**Dr. Higgin:** Yes. I would point out that with respect to everything the ministry does in an area like renewable energy there has to be constant and ongoing reassessment, both of the goals and of any positions we have taken in the

past. It is a very rapidly developing area, and of course the whole energy supply and pricing thing develops rapidly. It is not an area in which one can sit back and say we did that report and that is it.

We have already started reassessment of the synthetic fuels area. This has taken the form, first of all of an in-house look at the previous report, which I think all of you are familiar with. We have made the assessment that due to changes, primarily in the energy picture, synthetic fuels could be closer than was seen when this report was made in 1977. Perhaps that is not a surprising finding, but we have made this in-house reassessment and as a result of that we have now hired a consultant to provide an update on the economics as set out in this report in the light of current projections about future energy prices; and second, and perhaps more important, to find out what it is in the economic end of things that makes it tick—if it is ticking, and that is a debatable point in a number of states in the United States—and whether those factors can be translated to Ontario.

This assessment of liquid fuels is now underway. I think our feeling at this point in time is that we should be looking to develop and demonstrate a capability to produce, distribute and utilize synthetic fuels. This doesn't necessarily mean large-scale implementation, it is the readiness thing you have talked about. The advisory group felt that the point where we would need to be ready was somewhat further away. In other words it was not necessary to get ready right now—this was in 1977.

I think our findings at this point in time, from our own in-house assessment, are that it is probably timely to start to get ready. As you know, you can look at small scale facilities using feed stock and they have a negative value. For example, food processing waste, spoiled grains and so on, can be converted into alcohol—although I might add that the energy efficiency is not necessarily very good using the existing processes; you have to watch for negative efficiencies and be convinced not only that these things can be but that they can be done at a not unreasonable cost, not something that is out of this world. As you know, the more you want of a resource the more the price goes up on the feed stock; as you try to increase the scale of production the cost of the raw material goes up. It sounds familiar, doesn't it? The same thing applies to synthetic fuels.

**Mr. J. Reed:** Dr. Higgin, I think you have raised a point that probably is worth pursuing. What kinds of choices might Ontario make in terms of feed stock? I agree with you very much

on your assessment of the net energy value of using something like grains, even if the agricultural land were available to do it. There is probably some net value in using waste or residues in agriculture, material that might otherwise be wasted, but it seems to me we have three great areas of feed stock for alcohol fuels which we can pursue in Ontario, the first one being garbage—if there is indeed enough after we get finished with the programs, maybe there won't. Second is the forest products residue that is left when the industry goes in and takes out its pulpwood and its lumber. Sixty per cent of that doesn't get into the mills, and what is done with at least a part of it may be said to have precipitated that terrible tragedy up in Red Lake this summer in the burning off of that slash. It seems to me that is a very logical source of feed stock for liquid fuel production. Then, of course, the great unspoken resource we have in Ontario, the great unacknowledged resource and that is the huge deposits of peat.

**Mr. Chairman:** If I might just interrupt, Julian. I don't know if you have completed but Mr. McGuigan has been on the list for some time.

**Mr. McGuigan:** Thank you, Mr. Chairman. I just want to express a very overall concern I have, and that my colleague has already touched upon. That is the importance of this subject, which is probably the key to the economic and physical survival of our country, and the role this ministry plays. I would just like to relate that to the fact that I believe that in a sense we are not on the gold standard or on the paper standard any more, we are really on the oil standard. Oil is setting the trend for our whole economic system. If you doubt that just look at where the price of gold is today. I couldn't tell you today's gold price, but—

**Mr. J. Reed:** It is beyond my reach.

**Mr. McGuigan:** —at times it has been around \$400 an ounce. It has really been pushed there by the fact that the people in the Middle East took the printed money which came from North America and put it into gold. Whether we like it or not, they have put us on a black gold standard.

The future of the country is set, really, by the policies of this ministry probably more than any other. The Treasurer (Mr. F.S. Miller) might not agree.

The thing I see us doing, and a number of economists throughout the world are starting to look at this and saying that in our chase for new supplies rather than looking at conservation, with our tendency to follow the theory of give us more money and we will go out and find you more oil—or gas or whatever—we are simply

going to end up putting far too much of our available capital into that chase, the goal being to continue our present lifestyle of being wasteful, with very little conservation and so on. The losers down the road, of course, will be other sectors of our economy; our social services, agriculture, the defence of our country or almost anything you can think of will suffer as a result. This, to my mind, brings this ministry to a very important place in history.

I would like to raise a few examples of where the great need is for an overall direction of policy and co-ordination between ministries. Last night I was at the Ontario Federation of Agriculture sessions. They had a session on energy. Unfortunately they were making use of an overhead screen so I was unable to make notes in the dark and some of the things I am going to raise are really from memory.

It was pointed out, for instance in the production of peaches—which is dear to the minister's heart and to mine—I think it was a ton of peaches required approximately one million BTUs of energy. If you grew those peaches in Georgia, which would seem a sensible thing to do because of more hours of sunshine and so on, those peaches brought in here required three million per unit. Canned peaches, they said, took five million. That is just an illustration of the support we need in agriculture to continue peach production.

This is one of my pet projects; I am a peach farmer myself. We don't have quite as favourable a climate for peaches in Kent and Essex as in Niagara but even Niagara is now beginning to have some doubts too after last winter when they suffered quite a bit.

I think it was in 1974 when I went to the Crop Insurance Commission of Ontario trying to push the idea of a crop insurance plan for peach trees so that in the event someone who planted peach trees ran into very bad weather—ice storms or severe winters and so on—that person would have some money to help him replant that orchard; that suggestion was denied as being impractical.

I think we are at a position in Kent and Essex Counties right now where very few growers will replace those orchards. Other commodities have come in to take up the land and so we will end up bringing in the American peaches at that great energy expense. That is just a for instance.

**Ms. Gigantes:** Expensive peaches pretty soon.

**Mr. McGuigan:** Yes.

**Hon. Mr. Welch:** Actually I really hadn't dreamed of it until you mentioned it, but I am sure the same arguments could be used as being very

compelling ones for the consumption of domestic wine as well.

**Mr. McGuigan:** Sure.

**Mr. J. Reed:** Is that a vested interest?

**Hon. Mr. Welch:** I would hope that the member for Carleton East would take note that she would be consuming a lot less energy—

**Mr. J. Reed:** I have always done my share in terms of assisting.

**Mr. McGuigan:** One of those TV ads shows a bottle floating across the ocean, doesn't it? Which one is that? It is an Italian company. They show the bottle that goes across and comes up on a shore. It didn't take any energy at all.

**Hon. Mr. Welch:** Wave energy.

**Mr. McGuigan:** Many other examples can be shown.

I would like to add a little more to what my colleague has said about the greenhouse industry. I detect a great desire on the part of the ministry to try and help sell nuclear power by using the waste heat. I must admit it is a very attractive proposition to try and use that waste heat.

I would certainly like to say a word for those greenhouse growers who don't see it being very attractive. Number one, they have huge investments where they are.

**Mr. J. Reed:** That's right.

**Mr. McGuigan:** Number two, in Essex and Kent counties we have built up a tradition of horticultural labour, of people who will work in these greenhouses in season and who know the industry. Horticulture is really an art. It isn't picked up overnight. So growers are very reluctant to leave that labour behind, to move to, say the Bruce, and leave that labour behind.

**Hon. Mr. Welch:** The Bruce Agripark.

**Mr. McGuigan:** Yes. The other area is that of marketing.

What makes Essex county so predominant in marketing, and it really is an advantage it has over Niagara, is the fact that it is a year around marketing exercise. The brokers and assemblers and shippers have products to ship into the Ottawa, Toronto, Montreal, Quebec City and Maritime markets the year around.

People in districts that are seasonal have a hard time breaking into those markets.

When you take the greenhouse out of Essex you hurt the field vegetable crops and you hurt the fruit crops. It is a package. What I am saying is perhaps the money which we are spending in the Arctic where they can only drill for about four or five weeks of the year, with a fantastic cost in bringing that fuel down, might be better spent in

modernizing and doing the things that would make those present greenhouses in Essex county far more efficient than they are today.

I think that applies to an awful lot of applications one could look at.

**Ms. Gigantes:** It is a substitute for polar gas.

**Mr. McGuigan:** Yes.

**Ms. Gigantes:** I think that is great. Mr. Chairman, before we leave this vote—in fact I don't know which we are going to vote on; renewables is the first is it?

**Mr. Chairman:** Vote 2003.

**Ms. Gigantes:** That's renewables?

**Mr. Chairman:** Yes.

**Ms. Gigantes:** We'll continue, then, with the conservation vote?

**Mr. Chairman:** Absolutely.

**Ms. Gigantes:** That's fine.

Vote 2003 agreed to.

**Mr. Chairman:** Next Wednesday, the last five hours of energy estimates begin. You know that we will be getting a notice, those—

**Ms. Gigantes:** We haven't wrapped up yet for today, have we?

**Mr. Chairman:** It is, as they say, 4:30 of the clock.

**Ms. Gigantes:** I thought we had until five. Could I ask one question before we leave?

I thought I understood, when I asked Dr. Rowe about how we were doing on the sectoral goal for residential conservation, that he said we were doing fine because of CHIP and because of the general tendency of home owners to be conserving energy.

**Dr. I. Rowe:** I believe I said that we are close to scenario two, that is our expectation. Scenario two suggests to us that we will meet this five per cent goal in 1985. The latest data input to this is that which we presented to the select committee.

**Ms. Gigantes:** The goal about which I was inquiring is the one identified in the briefing book.

**Dr. I. Rowe:** Oh, I'm sorry. You are talking about the one struck in December 1978, being 15 per cent reduction in 85 per cent of homes?

**Ms. Gigantes:** I presume because it is in the briefing book that is the goal to which we are referring. I asked specifically about that goal.

**Dr. I. Rowe:** No, I think the minister made it very clear last week that what you have before you is the management-by- result documentation we filed with management board, which is our contract for budget funds for the current

fiscal year. These goals have been now changed within this fiscal year.

**Ms. Gigantes:** So they have been lowered?

**Dr. I. Rowe:** I did not say that.

**Ms. Gigantes:** Is that the case? Is it five per cent or is it 15 per cent?

**Dr. I. Rowe:** Let's come back and look at the residential sector. We said we would achieve—

**Mr. Chairman:** I don't mean to interrupt but the meeting actually does stand adjourned now.

**Ms. Gigantes:** Yes, Mr. Chairman. I'll come back to it. Thank you.

The committee adjourned at 4:40 p.m.

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**From the Ministry of Energy:**

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Renewable Energy Group  
Rowan, M., Deputy Minister  
Rowe, Dr. I., Executive Co-ordinator, Conservation and Renewable Energy Group







No. G-12

# Legislature of Ontario Debates

## Official Report (Hansard)

### General Government Committee

Estimates, Ministry of Energy



**Third Session, 31st Parliament**

Wednesday, December 5, 1979

Morning Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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## LEGISLATURE OF ONTARIO

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WEDNESDAY, DECEMBER 5, 1979

The committee met at 10:17 a.m. in committee room 2.

### ESTIMATES, MINISTRY OF ENERGY (continued)

On vote 2004, energy conservation program:

**Mr. Chairman:** I call the meeting to order. We do have a quorum. As you know, today we are going to be wrapping up the remaining five hours of estimates. We will be discussing it in two parts: energy conservation, and Ontario Hydro this afternoon.

At the conclusion of Wednesday's meeting at 4:30, Evelyn Gigantes was midway through a question, and has asked if she could complete the line of questioning today.

**Ms. Gigantes:** I think I was talking to Mr. Rowe about the question. It involved information he had given us about the insulation program and retrofits, and whether we were reaching our target, the target that had been identified in the briefing book, of a 15 per cent reduction in energy use. This is what I wanted to find out. A 15 per cent reduction in what, of 80 per cent of existing stock? The target year was 1985. As I recollect you had told us, Mr. Rowe, that we were doing well on that. Then I turned to—it looks like page 10—planned results for 1979-80. It comes under vote 2004. It looks like page 10, at the top of that page. It says there:

"The evidence is the evidence based on our involvement with the federal Canadian Home Insulation Program, and the retrofit of privately owned homes is only progressing at one seventh of the rate needed to meet the residential sector goal. The ministry is engaged in determining the contribution of factors such as perception, motivation and technical barriers."

**Dr. I. H. Rowe:** There is nothing in conflict at all with what I have said and what you are addressing. You will recall we said that the goals, and so on, were set up with our contract, if you want to call it that, with management board, and our management-by-results reporting system. This was prepared last December, 1978. At that time it was quite appropriate to say the evidence

was that the Canadian Home Insulation Program was contributing very slowly in making any meaningful contribution at all to meeting residential needs.

I also said to you current evidence is that retrofit is picking up rapidly. The most recent information we have been able to obtain is from the Canadian Home Insulation Program and from the federal Department of Energy, Mines and Resources. I'd like to have David Swyers, our residential adviser, speak very specifically to that particular data. In other words, it's current data.

What I want to point out very specifically is that there is a rapid change taking place with respect to taking up the CHIP program. If I might say this with a little bit of modesty, I think one of the reasons for this is that we were successful in bringing to the federal government's attention the deficiencies in the basic program. In the interim between when the MBRs were prepared and this data we're going to give you was obtained, there was a substantial change in the Canadian Home Insulation Program.

That's not to say we think the program is the best that could, and should, be offered to the citizens of Canada. It is not. There are certain features of the program that was offered in Nova Scotia and Prince Edward Island, such as relief from being taxed, that we feel would make a tangible improvement to the Canadian Home Insulation Program. But they have chosen not to give Ontario those benefits that were given to Prince Edward Island and Nova Scotia. However, at every opportunity we point out this deficiency.

Maybe if I could have Mr. Swyers give you the most up-to-date information, and perhaps some of the data that was relevant back at the time we prepared the MBRs, it will give you an impression at least that the Canadian Home Insulation Program is starting to pick up under the new rules.

**Mr. Swyers:** As of last April when the Canadian Home Insulation Program, before the changes that were announced, came into effect—

**Ms. Gigantes:** Is that April 1979?

**Mr. Swyers:** Yes, April 1979. Between the inception of the program and that date, in

all of Canada there were 97,521 grants made with a value of \$22.8 million. Of these, 56,825 grants valued at \$12.5 million had been made in Ontario. This is a rather slow takeup over a period of a year and a half.

**Ms. Gigantes:** How much was it in Ontario, in dollar terms?

**Mr. Swyers:** It was \$12.5 million.

Between April and mid-September of this year, those figures had jumped nationwide to 162,300 grants, with a total value of \$45 million and, of these, 102,200 were in Ontario, for a value of \$28.4 million.

The most recent figures that we have from Canada Mortgage and Housing Corporation indicate that these have gone up by about another 10,000 or 15,000 grants in the two-month period.

**Ms. Gigantes:** That's in Ontario?

**Mr. Swyers:** Yes, that's in Ontario. A lot of the changes that came about in the plan that came into effect in April were a result of provincial lobbying, because our feeling was that \$300 with no labour component and covering only two thirds of the amount of the grant was totally inadequate as an incentive for people to approach home retrofitting. In fact, it suggested to a lot of people that all they had to do was spend that amount of money and they had solved their portion of the energy crisis. In fact, that would only touch the tip of the iceberg, namely, the attic, in any comprehensive fashion.

**Dr. I. H. Rowe:** To add to what we have been reporting to you, you may know that we are carrying out experiments in a number of cities and towns in the province.

**Ms. Gigantes:** Could I understand the \$300 grant without labour input?

**Mr. Swyers:** That was the previous amount.

**Ms. Gigantes:** Yes, and how was it changed exactly?

**Mr. Swyers:** Now the grant is 100 per cent of the material costs, up to \$350. It includes one third of the labour costs up to a maximum of \$150.

**Ms. Gigantes:** But that's all included in the \$350?

**Mr. Swyers:** No, the limit is now up to \$500.

**Ms. Gigantes:** Okay. Thank you.

**Mr. Gaunt:** How does one get an application? They are very difficult to come by.

**Mr. Swyers:** They're very difficult to come by, sir, I agree. We've been having an ongoing discussion with Canada Mortgage and Housing Corporation, arguing that if a program is designed to be open to all Canadian

home owners they should make the application forms as widely available as possible. However, they seem not to want to take on the private sector. They don't want to give them to lumber stores or hardware stores which are the places where you'd automatically think of requesting the form. In fact, they won't even give them to the insulation contractors.

**Mr. Gaunt:** They won't even give them to the members. We've been trying to get some for six weeks.

**Mr. Charlton:** I've got some in my constituency if you want to drop by, Murray.

**Mr. Gaunt:** Okay. I'll take you up on that, Brian. What's the address, please?

**Ms. Gigantes:** Can you also tell me whether there are any controls or inspections under CMHC?

**Mr. Swyers:** CMHC does undertake spot inspections, the idea being it wants to ensure the people are actually installing what they said they bought and, incidentally, to find out whether the installation was correctly done especially where contractors were involved.

**Dr. I. H. Rowe:** So the members would know, the Ministry of Consumer and Commercial Relations has, by necessity, had to investigate quite a few complaints on behalf of consumers in this particular area.

**Ms. Gigantes:** Is there any improvement that you can see?

**Mr. Swyers:** By and large, the level of complaints has stayed pretty well constant. In almost any business you're going to have a certain proportion of people who will try to fleece either their clients or a grant program. But this level seems to be staying pretty well constant.

**Ms. Gigantes:** What's the level now?

**Mr. Swyers:** Maybe about one per cent of the inspections produce problems.

**Ms. Gigantes:** But those are spot inspections. Do the level of complaints stay the same?

**Mr. Swyers:** Yes, about the same.

**Ms. Gigantes:** How many complaints would you get?

**Mr. Swyers:** I'm sorry, I don't know. The CMHC people would have to be approached for that. That gets into an operational detail.

**Ms. Gigantes:** Thank you.

**Dr. I. H. Rowe:** Further to the same question, we've been examining the factors of what will encourage people to make the decision to insulate and to utilize the Canadian

Home Insulation Program. As you know, we've been carrying out these quite successful experiments in a number of towns. We've gone back into those towns to determine if the ministry's programs have been successful in terms of more people either intending to make the commitment or, indeed, making the commitment and to what they are making the commitment.

The research demonstrates, and Mr. Swyers can expand on this if you're interested, that the thermography type of program, because it is dealing with the individual home owner, has successfully persuaded them to make the decision and so the insulation installation rate and weatherization, the adding of weatherstripping and so on, has greatly increased in these towns where we have carried out these experiments.

**Ms. Gigantes:** How many individual homes would you have done thermography on?

**Mr. Swyers:** I think it's more appropriate to take it from a community point of view because the type of thermography we utilize is an aerial thermography where we scan the entire community. To date we've carried out thermography-based projects in five communities.

**Ms. Gigantes:** So you don't do individual homes?

**Mr. Swyers:** What happens is the aerial thermograms are available in a public clinic. The home owner comes out to the clinic and an interpretation is given to him of the heat loss situation for his own particular house, so there is detailed information available. There is detailed counselling available from trained interpreters. The individual himself has to be motivated to come out and obtain that. We can't disaggregate the entire community and mail it out.

**Ms. Gigantes:** When you do aerial thermography, can you isolate where the heat loss is occurring in an individual house?

**Mr. Swyers:** Through that, in conjunction with the computerized home analysis and interviews with the home owners, yes, we can identify the actual problem areas. In fact, that was one of the interesting findings from our pilot projects. We found that for every dollar of expenditure we made in program costs, the direct fuel savings in a community came back in the first year between \$3 and \$4. This is a marginal increment over those similar communities where even federal government projects had been run and that in itself was about a one to two per cent increase over the background noise level of speeches, energy price rises, and so forth.

**Ms. Gigantes:** How does the federal program differ from yours?

[10:30]

**Mr. Swyers:** At that point during our test period the federal program was running a number of different kinds of community-oriented facilities. They have since abandoned that; that's the old interaction program.

**Mr. J. Reed:** Could I ask a supplementary? With this thermography technique that's being used, the question has been broached with me as to whether it might not be more to the point to use a less sensitive but more localized technique. Apparently, and I don't know whether this has any real validity or not, the use of infrared film in a standard camera, which is much less sensitive than a thermography unit, can identify heat loss in an individual home quite readily. Is there any truth in that? I am just wondering whether the large expenditure of money for aerial thermography is worth it in the light of that other possibility.

**Dr. I. H. Rowe:** It is a marvellous question for me, Mr. Reed. As you may recall, I earned my earlier living in the weapons system area where my specialty was infrared. One of the reasons the thermography program was developed here is I wanted to translate the weapons-type technology into a very effective peacetime use.

The answer to your question is essentially this: We are looking at aerial infrared. We are looking at heat loss where the temperature differentials are very low. In order to sense these temperature differentials we are talking about detecting heat down in the area of 70 or 80 degrees Fahrenheit and looking for two- to three-degree Fahrenheit differentials.

The spectral peak of this infrared energy is down about nine or 13 microns. It is very-long-wave infrared energy. There is a hand-held type of infrared scanner that also has to be cooled which can be used to survey buildings. Normally it would have to be used in quite cold weather, in the winter and so on. It can detect several degrees difference in temperature drop across a wall section. It peaks between about four and a half to nine microns and is unable to detect the same temperature differential.

Infrared film is sensitive only at about 1.1 microns, which is the near infrared. You have to have considerable temperature differential for it to be fully effective. In other words you could look at a door, take a photograph of it and you would certainly see a crack around the door. I am not sure but

you might be able to see the difference between an insulated door and a noninsulated door, but I don't think you would be able to see whether or not there was insulation missing. We have the ability with infrared thermography, in the long infrared range, of determining whether or not you have R12 or R20 insulation in your attic. That is fantastic resolution.

I suggest to you that aerial themography is a very cheap way of making very extensive surveys. The hand-held near-IR type of infrared equipment is very good for locating cold spots and hot spots in walls, and leakage around doors and windows and so on. The infrared camera, because the lens cuts off and the film is not cooled and so on, is only sensitive to the very-near-IR and relatively insensitive to the kind of things we would want to promote or are concerned with; that is, voids in walls, inadequacy of insulation, and being able to look at the grey level of the film and accurately determine just how effective that insulation is.

Let me tell you a little anecdote about an incident that will show you how effective aerial thermography is. The chairman of the public utilities commission in Stratford is an optometrist who has a building that houses his own office and that of a dentist in a flat-roofed structure that is electrically heated. We showed him the infrared emissions from the roof of that particular building. He, being chairman of the PUC, was very proud of the quality of the electrical heating in that particular building and the extent to which insulation was installed.

We saw a little whitish area on the roof and drew attention to it, and we said that in our own experience with looking at Ontario Housing Corporation buildings it would appear there was probably a leak in the roof and water was getting into the insulation and reducing the thermal resistance value of the insulation.

He said, "No way, no way. I know that roof. I know the builder who put it in. That's impossible." Then he thought about it and he said, "It's that damned dentist. He has a laboratory in that corner of the building and he runs the thermostat at 90 degrees Fahrenheit. I keep telling him to turn the thermostat down because I have to pay the bill."

That's the kind of resolution we are working at.

**Mr. J. Reed:** Very interesting. I appreciate the answer.

**Ms. Gigantes:** I have three general questions. How much are we spending in Ontario

on the thermography program, and which account does it come under? Is that under energy and conservation?

**Dr. I. H. Rowe:** It's in the conservation or the services area there. I'll have to change books here unless you know the number off the top of your head.

**Ms. Gigantes:** Excuse me?

**Dr. I. H. Rowe:** Mr. Swyers is saying \$220,000. I could check accurately in my book, because I know what the cash flow is.

**Ms. Gigantes:** I would be curious to know which communities it has been used in so far. Stratford is one?

**Mr. Swyers:** No, Stratford was in 1978. The communities this year include Peterborough, which was completed at the beginning of the year. We have already done St. Catharines and Kingston, and we are attempting to acquire very current data for two more communities that would have projects in the spring. We have identified tentative targets but we have having weather problems, so I think it would be best if we don't indicate what communities we are going after until we are sure we get the data.

**Ms. Gigantes:** Referring back to the Canadian Home Insulation Program, can you estimate how many barrels of oil accumulatively have been saved in CHIP in Ontario?

**Dr. I. H. Rowe:** That would be very hard to do, but I think we could calculate it on the basis that the CHIP money unfortunately seems to be flowing only towards ceiling insulation. Hopefully some of the money is indeed going to basement walls, and what have you, but by and large it's only going towards ceiling insulation. So at a very rough cut—and Mr. Dominy might correct me, if he has better statistics—I suppose we are talking about an 11 to 15 per cent reduction in the homes serviced, and we are talking about roughly 80 to 85 gallons per home on an equivalent basis. So if you could take the numbers Mr. Swyers has given you, I think you could work that out. I didn't bring my calculator with me.

**Ms. Gigantes:** Have you been able to estimate the increase in the uptake on CHIP in the communities where you have done thermography?

**Mr. Swyers:** No, we haven't been able to estimate the increase in CHIP. What we have been able to do is estimate the increase in the level of conservation activity with the resulting fuel savings.

**Dr. I. H. Rowe:** The actual sales.

**Ms. Gigantes:** Would you have figures on that?

**Mr. Swyers:** We have been looking at fuel saved, and as I indicated, our projects tend to encourage people to undertake retrofits that roughly give them about another 10 per cent saving on their home.

**Ms. Gigantes:** An additional 10 per cent?

**Mr. Swyers:** That's right, over and above what they otherwise would have done, based on CHIP motivations or news reports.

**Dr. I. H. Rowe:** Could I just make a comment on why this emerges? When you look at the infrared image you see the greyness of the roof and then you see a pooling of white around the building itself. When people ask what this is, we tell them essentially it's heat being lost out through basement walls to the ground. It might be, depending on the aspect angle of the airplane relative to the building, the windows themselves that are in view. We have to be concerned with that too. But it is heat loss out through the sides of the house—air loss and what have you, out through doors and windows. I have even heard someone say, "Gee, I think we must have left the patio door open," when the airplane flew over.

**Ms. Gigantes:** What I would like to know is why we aren't doing more of it, why we don't have an add-on program in Ontario, why we are only spending on energy conservation projects. The estimates for 1978-79 were for \$4.5 million and we didn't spend a million of that.

**Hon. Mr. Welch:** Mr. Chairman, perhaps that's a question that should be directed to the minister. As I am sure the honourable member herself has been, I have been quite impressed by the practicality of this program, and having seen the clinics operating in my home area, of course, I have felt this is a tremendous service to provide to people to address this question of conservation in a very sound way.

We have just completed our submission, or at least it is in the process of being completed, for me to take to cabinet to have some step-up in this particular program. I can assure the honourable member that we share with her the need for doing that. I am hopeful that once I have had an opportunity of discussing this with my colleagues, they will be able to develop a program that will see that this emphasis is displayed. Indeed, my plan is to put us on about a five-year program of accelerated activity in this area.

**Dr. I. H. Rowe:** I'd like just to add a remark to that. The original equipment is very

expensive and was owned or leased by the Canadian Centre for Remote Sensing. They did the original flying on behalf of the province. The rules of the game are that they will only do research support. So they did the first initial flying when we did a pass down over Toronto and picked up some problems in the Ontario Housing Corporation roof structures and some problems in the Ontario Science Centre and what have you.

At that point we became aware that they felt the research interest had been established. We then had to contract with another company, which is a private company and had the equipment. I guess there are only two of these scanners in Canada. Intera flew the one for us in the last two years. They are no longer available for doing this kind of work. So the province has already followed through looking for private-sector interest and may have to acquire the equipment at its own expense.

**Ms. Gigantes:** How much?

**Dr. I. H. Rowe:** About \$550,000. In order to justify that expense, we had to carry the program through and prove it was effective, and I feel we are at that point.

**Ms. Gigantes:** My question relates not only to the thermography program—and I'll take your word for it that it does mean an additional 10 per cent, which is an impressive addition—but also to the amount of moneys available for people to do insulation.

Let me put it to you this way: It seems to me that it would make sense for an institution such as Ontario Hydro, when it goes to the bond market and raises money for increasing construction in the electric field, to lend that money, at the relatively low rates that Hydro can obtain it, to private home owners and to private businesses on a pay-back basis.

If we added those kinds of programs to CHIP, first of all we would be insulating ourselves and cutting back on our gas and oil use here in Ontario. Second, when we went to the feds and said, "We need a better program from you guys. We think it's a good investment. We can see a \$3 to \$4 pay-back on \$1 into the program," it would add substance to the argument.

**Hon. Mr. Welch:** I think the observations are well taken. As the honourable member knows, part of the dialogue at present going on in the energy discussion is the suggestion on the part of the government of Canada that CHIP might be taken over by the provinces. You will recall that in an exchange in the House recently there were some questions on that subject. Certainly,

Ontario would have no concerns about that and indeed would welcome that, provided we had the resources that went with it. Perhaps at that time, if in fact that did become a reality—in other words, if that transfer did occur—it might be the time to give some considerations to the adequacy of the program as at present defined or any changes that may be made. I can assure the honourable member that when we come to that particular time, we would want to consider whether or not there should be some basic changes made.

[10:45]

**Ms. Gigantes:** What kind of time frame are we talking about?

**Hon. Mr. Welch:** I can't be definite with respect to my answer, but I get the impression that if this is part of some package at present being considered by the government of Canada, we are not talking about a very long period of time, unless anyone here has any further information. I have no definite information with respect to timetables. I don't know whether or not all the provinces have necessarily responded.

**Ms. Gigantes:** You are aware that American utilities have been undertaking such programs and they have been very successful.

**Hon. Mr. Welch:** That's right.

**Mr. J. Reed:** I just wonder, by way of supplementary, in terms of time frame, do you have one for raising the consciousness of all of us in Ontario as it pertains to home insulation in existing homes?

**Hon. Mr. Welch:** As I mentioned in response to the member for Carleton East's question, we have now completed our submission to cabinet with respect to stepping up or accelerating the thermography approach and obviously that has implications along the line that you have just mentioned. As we move into these communities and advertise the timetable for the clinics and so on, certainly I feel we are making our contribution to the awareness program in that regard. Not that we expect people necessarily to wait until we get there, because there are other ways in which, I suppose, they can retain people or bring people in to check on their heat loss.

Just before I leave the question the honourable member raises with respect to public utilities commissions, we have to realize, of course, that although that might be helpful from the standpoint of electricity and so on, we are interested in the overall—

**Ms. Gigantes:** You misunderstand me, because I think if Ontario Hydro is given

a mandate in this field, which it now does not have, to help Ontarians deal with their energy problem, which at the moment is an oil problem, then an insulation program is definitely going to affect that.

If we allow Ontario Hydro and indeed encourage—perhaps kick—Ontario Hydro to the point where it decides it is a good investment to borrow funds, if we have to borrow them, at low rates and provide them on a pay-back basis at low rates to residential and business consumers for insulation, then Ontario Hydro will be moving into a field that is not electric. It is a field that has to do with helping Ontario cope with its energy problems, which right now are oil problems.

**Hon. Mr. Welch:** Without necessarily speaking to who should do it, certainly the honourable member is making the point that the big savings are with respect to the homes heated by oil and natural gas.

**Ms. Gigantes:** I think it is important to talk about who should do it because otherwise you are going to have to go to Treasury Board and ask for millions of dollars to lend.

**Mr. J. Reed:** Maybe the Ontario Energy Corporation could be a—

**Ms. Gigantes:** The energy corporation could do it, but there is also a good deal of knowledge already embodied in Ontario Hydro about heating and insulation, and it seems to me that would be an ideal kind of organization to undertake a program of loans, monitoring, inspection and advice-giving on a community basis around Ontario.

**Hon. Mr. Welch:** It is an interesting observation. I am perhaps most concerned that if CHIP does become part of our provincial responsibility, obviously we will want to give some considerations to any changes to it, and rather than getting hung up today on by whom or through what particular mechanism, I do feel we would agree there is some need to further emphasize the importance of this field as far as conservation is concerned.

**Ms. Gigantes:** I suggest to you that if you want to do it and want to do it fast and effectively, you should be looking at Ontario Hydro as the institution to do it.

I don't know if anyone else has questions on this subject. I would like to move to another area.

**Mr. J. Reed:** What are we doing? Are we carrying the can for an hour or do I get a lick in at 11 o'clock?

**Ms. Gigantes:** We are still on conservation. Why don't you have a lick in now and I will come back.

**Mr. Acting Chairman:** We have had four speakers and there are at least three more.

I wonder if I could cut them all off at half an hour and then if we have time we will come back to it.

**Ms. Gigantes:** Why don't you put me at the bottom of your list again, Mr. Chairman?

**Mr. Acting Chairman:** Okay. That is exactly what I am going to suggest. Mr. Handleman is next, then Mr. Gaunt and Mr. Reed.

**Mr. Handleman:** First of all, I don't know whether that is a ruling or a request from the committee. I have been sitting here for three consecutive Wednesdays, and I think it would be extremely unfair to put a half-hour limit on me when the opposition critics have taken up two consecutive days.

I think I am entitled to take as much time as I want to follow my line of questioning, which may be quite lengthy. I don't know; it depends on the length of the answers. My questions will be put to the point, but I want to be able to ask all of my questions and get all of the answers on the record. So, I ask you now, before I start, whether that half-hour limitation will apply to members of this party, who have used none of the time of this committee?

**Mr. Acting Chairman:** I am at the mercy of the committee.

**Mr. Handleman:** Mr. Chairman, I put to you as a point of order that normally in the estimates committee the time is informally allocated. We take far less time than the opposition parties, but when we want to use our time, we want to use it. Having not used any of the time, the time is there, it is available, and I tell you now that I intend to pursue my line of questioning until I am through. Other questioners can determine the time they want to use according to their own priorities. My priority happens to be the one that I want to take now.

**Mr. J. Reed:** Mr. Chairman, with respect, I don't believe there has been any time thus far when a member of any party has been curtailed if indeed they did request to get on with the questioning.

**Mr. Handleman:** Exactly. And the time is available now.

**Mr. Acting Chairman:** We have, in essence, done that, though.

**Mr. J. Reed:** We are in a particular vote now that necessitates some contribution from each one of the parties, and to suggest that you want to take up time that you did not take up with previous votes is to me rather unreasonable.

**Mr. Handleman:** As far as I know, Mr. Chairman, we don't time according to vote. You have a certain amount of time left.

**Mr. Acting Chairman:** We informally agreed that we would spend this morning on 2004, energy conservation program. That was for the purposes of witnesses who might come in, staff who should be here, or members who would want to be here at a certain time to deal with a certain vote. The only constraint we are dealing with is that this morning we want to deal with this vote, so proceed.

**Mr. Handleman:** It is unfortunate that we invoke this rule after three quarters of an hour have been taken up by one—

**Ms. Gigantes:** We didn't get this meeting started until about 25 after.

**Mr. Handleman:** Mr. Chairman, through you to the minister, I want to pursue the question of energy allocation and supply, better known as rationing.

**Hon. Mr. Welch:** Mr. Chairman, I have no objection to answering any questions I am asked. As members will realize, that refers to vote 2002, conventional energy, which was carried on Wednesday, November 21, and we are talking about energy conservation now. If in the context of conservation you want to proceed with this, I have no objection as long as we—

**Ms. Gigantes:** Forced conservation.

**Mr. Handleman:** It is forced conservation. I understand it is a federal matter and I would like to know the types of triggering mechanisms existing at the federal level and at the international level to invoke a system of supply allocation.

I would like to know how provincial priorities, as best you know them, will be fitted into any system which may be adopted at the federal level. I would also like to know whether or not the provincial government and its mechanisms, the Ministry of Energy or other institutions, will have any direct role to play, other than as a buyer of petroleum supplies.

Perhaps, having been asked a general question, you might want to outline to us, first, the triggering mechanism, the mandatory requirement on the federal government to invoke a system, and how that system may operate as best you know it.

**Hon. Mr. Welch:** Mr. Chairman, I think this would be very helpful, and indeed I welcome the opportunity to have Mr. Dean, our senior adviser on crude oil, trace this as briefly as he can, starting perhaps in the world context, through the International Energy Agency, then our relationships and discussions with the government of Canada with respect to the emergency allocation

legislation, and the provincial input. I think we would find this very helpful.

I'll ask Mr. Dean to take us through that story. It may be easier to follow if the members have the same material Mr. Dean is going to use. Perhaps we could have that distributed so the members could follow through with him.

**Mr. Handleman:** Before you start, I wonder if, leading into your subject, you would bear in mind the events of this week—in which producing countries have already started to notify us of reduction of supplies and when the point will be reached when it will require action.

**Mr. Dean:** Yes, I can refer to that. I have some hard copy material I can circulate to the honourable members, but I could also make a slide presentation if you wish. I think this would be more helpful. The International Energy Agency triggering mechanism is not exactly simple. I think it would be easier to follow if I were to make a slide presentation. With your permission, I would like to sit over there.

**Hon. Mr. Welch:** I think it would be preferable to proceed without the slide presentation.

**Mr. Handleman:** I wonder if, following you, we could have the material you have available. Thank you, it would help.

**Hon. Mr. Welch:** Some members, having seen the equipment come in, indicated they didn't want to sit and watch pictures. The committee didn't want to be in the dark.

**Mr. Dean:** Mr. Chairman, the material in front of you comprises two sets of paper. There is a copy of the international energy agreement and a copy of an interpretation of the oil allocation clause in the agreement. The agreement itself is this document and it runs to about 17 pages. I suggest there is no particular need to go through that right now.

The important aspect of this agreement is clause seven, I believe. The document I am now holding up is the one that interprets the oil sharing mechanism included in the agreement. With your permission I suggest we go straight to this document.

The agreement itself, which governs the allocation plan, was entered into in November 1974. The member countries now total 20, Australia being the most recent country to join the International Energy Agency. The two important points in the allocation program are the two commitments member countries enter into.

Each member country agrees to maintain an emergency oil reserve. Originally, when

the agreement was first entered into, this amounted to 70 days times the net imports of each individual member country. This is now 76 days. There is a scale of increasing the volumes that should be held in emergency reserve, which has not been adhered to. The original schedule has been departed from, and we are now about two years behind the ball. The target is for 90 days of net imports by next year, which clearly won't be met. We are now at 76 days, and 90 is almost impossible to meet in one year.

The second commitment member countries agree to is to have a system in place which will restrain oil consumption in the individual country by at least 10 per cent. The IEA oil sharing plan can be triggered when—

**Mr. Handleman:** Before you read that, it seems, according to point two, that the 20 countries have agreed to have a system in place. Is there any technique or structure whereby this can be checked, to ascertain whether or not countries are abiding by that agreement?

**Mr. Dean:** The IEA—I was going to use the word police but that is a bit strong—sends observers around to each individual member country to ascertain what demand restraint measures are in place. Canada, of course, has been visited a number of times by the IEA team. The federal government has managed to satisfy them that Canada does have in place an effective scheme for reducing or restraining demand in an emergency or a shortfall situation.

**Mr. Handleman:** Oh, in an emergency?

**Mr. Dean:** Oh, yes.

[11:00]

**Mr. Handleman:** In other words, we haven't agreed to use the system. We only have to assure them the system is in place and can be invoked.

**Mr. Dean:** Yes. The trigger mechanism implies and assumes that the oil demand restraint program is in place in the countries concerned. There is nothing in the IEA oil sharing mechanism, or in the agreement, that says individual countries, should they wish, as they perceive the situation, introduce a demand restraint program voluntarily. That has nothing to do with the mandatory allocations of oil under the IEA oil sharing plan. These are, in effect, the mandatory aspects of the international agreement.

The plan can be triggered when the International Energy Agency countries—either singly, if one has been selectively embargoed, for example, or severally or in total as a group—sustain a reduction in oil supply

that requires a reduction in oil consumption by at least seven per cent.

**Mr. Handelman:** Would that triggering mechanism take place if one country had been singled out, as you say, for some type of boycott in terms of supply, and that country requested that?

**Mr. Dean:** This could happen, sir. In fact, this did happen early in 1979, during the aftermath of the Iranian crisis, when a number of the smaller members of the IEA agency—Denmark, Sweden, Italy and New Zealand, which are relatively small consumers of oil—claimed they found themselves short of oil, to the extent of at least seven per cent. They went to the IEA and asked the IEA to trigger the scheme. The IEA held off triggering it. It wasn't brought into place.

What happened was that the IEA went to the international oil industry and said, in effect, "These countries that are short of oil can get over their problem by relatively small means." One cargo makes an awful lot of difference to a country like New Zealand. So the international oil companies did the elbowing and double shuffling and the situation was resolved to the point where the triggering wasn't necessary.

**Mr. Handelman:** So it is likely that it would take a major production cut?

**Mr. Dean:** In my opinion, sir, yes. Having demonstrated reluctance to introduce it, I would think they would follow on with that. It is a very expensive, very complex, terribly difficult thing to do. I can come back to that eventually.

If the IEA group is affected, each country reduces its oil consumption by seven per cent if the reduction in supply is between seven and 12 per cent. Assuming the total IEA group is affected, you might think this the most likely thing to happen. If the reduction in supply is more than 12, each country reduces its consumption by 10 per cent.

In reducing its consumption level by, let us say, seven per cent, it arrives at a figure of 93 per cent of normal. That is its so-called permissible consumption in the IEA parlance. That is what it is allowed to consume under the IEA agreement.

The difference between the consumption levels—taking the IEA group as a whole, the total 20 countries' permitted consumption levels added together—compared to the total supply available to the IEA group of 20 countries, is made up by drawing on the emergency reserves, which I mentioned earlier. These are drawn upon at a rate pro-

portional to the size of the reserves in each country.

Obviously, they are different in each country because they are made up of so many days of net imports. I am sorry this is complicated. It can't be helped. The IEA total net imports are a block figure. You can say it is about 26 million barrels a day, or something of that order. Canada's is about 300,000 barrels a day, the United States' is about eight million barrels a day.

**Hon. Mr. Welch:** What's that United States figure again?

**Mr. Dean:** About eight million barrels a day or close to 50 per cent of its total consumption. So the size of the reserves varies enormously. The drawdown capability therefore varies, so according to the agreement the drawdown is in proportion by reference to the total reserves that each country has.

The permitted consumption, less its drawdown of emergency reserves—permitted consumption being normal consumption less demand restraint>equals its "supply right." Now you've reached the figure that the country is entitled to have by way of physical oil supply.

If oil supplies available to a country—that is a total of domestic production and its net imports—exceeds its supply right as calculated, then the country gives up oil to the IEA. The country that has a net entitlement, a supply entitlement where its supply right is greater than its availability, takes oil from IEA group. The totals of supply rights always equal the totals of supply obligations.

If you go on over the next page, this block diagram illustrates—

**Mr. Handelman:** It's marked "confidential."

**Mr. Dean:** Yes, it's marked "confidential" but nevertheless we can talk about it confidentially, I'm sure.

**Ms. Gigantes:** That was in 1976, wasn't it?

**Mr. Dean:** Yes, indeed, that was in 1976 but the situation hasn't changed—

**Ms. Gigantes:** Yes, but it's not confidential any more.

**Mr. Dean:** I assume not. It has been reported.

This block diagram shows the various pieces that I've described, subtracted in order from left to right. If you start off on the left-hand side of the page with a normal situation you end up on the bottom part of the page on the right-hand side with what each country does, how it measures its supply right with its available supplies and gives it up one to the other.

It doesn't give it up directly, it gives it up to the pot, to the pool; and the IEA pool allocates the oil to the individual countries by way of supply rights. The major international oil companies themselves, the supplying companies—the people who actually move the oil all over the place—act under the direction of the IEA in that regard. They move oil to the countries in accordance with this supply plan.

On the next page, I've put in words rather more volubly than the first part a narrative description of the oil sharing plan and I don't think it's necessary, unless you wish it, to read it again. It roughly approximates what I've said. On the last page, and this is where a slide would be useful I suggest, it's rather difficult to follow, I've worked a numerical example. I've shown across the top the countries as examples. Canada as a member of the IEA and the USA are about 50 per cent dependent on net imports; Japan is almost totally dependent on foreign oil.

Here is a spectrum of IEA countries with varying needs. Others make up the total of the IEA group; so the last column is the total IEA group. As you see, of the total normal consumption of about 40 million barrels a day, net imports total about 26. IEA countries themselves contribute from their own domestic production the balance of about 14.

**Mr. Handelman:** Bearing in mind the restraints of time I accept the figures as given and I'm not going to try to—

**Mr. Dean:** There are some interesting features about it if I might—

**Mr. Handelman:** I wonder though, if in the few minutes that are left, assuming that the triggering mechanism may be in sight in view of the recent reductions—the announcement yesterday about Iran, Venezuela's announcement—whether or not you could fill us in on what you do know of Ottawa's plans actually to implement the system to which they are committed in the event that they're asked to by IEA. The only thing I've heard is that any such system would be at the wholesale level only. Are there any plans?

**Mr. Dean:** Yes, there are. There are three segments to the federal planning. You may recall that the Energy Supplies Allocation Board was set up in 1974 during the last crisis under the provisions of a federal act at that time which was later self-destructed in the middle of 1976 and the board dissolved as far as the emergency planning element was concerned.

**Ms. Gigantes:** That's when Mr. Goyer bought that very expensive oil for us, re-

member? It's about 50 per cent higher than we should have paid.

**Mr. Dean:** The old board initiated plans for contingency planning. At that time, of course, when it was set up we were in the middle of a supply crisis and the plans were expected to be used had it continued. Luckily that came to an end in the spring of 1975 and they were never used. Nevertheless, planning went ahead and there were three segments to the federal plans which were then initiated and have continued.

There is a new act, as you are well aware, the famous Bill C-42, and the new board which hopefully will be at least partially appointed soon. The federal planning has continued even without the support of a full-time board. The first two segments to the plan constitute the obligation to the IEA of demand restraint—it's important to relate this to the IEA.

The first part is a crude oil allocation program. This will take all available crude oil in an emergency, that is the sum of domestic crude oil and whatever foreign crude oil we're allocated under the IEA and allocate it among all refineries in Canada. This is the intent and the way the program has been written—that not simply eastern Canadian refineries will be affected, although they will bear the initial brunt because they are in the import area—let's assume an offshore cutoff—but the intent is to spread the pain, as it were, totally across the country so that all refineries bear an equitable part of the burden and provide crude oil from western Canada, from the shut-back in refinery runs to be moved to eastern Canada to offset the shortfall.

The plan takes all available crude oil and initially, at least, allocates it in proportion to the then current market share of the refiner.

**Mr. J. Reed:** How does Exxon fit into this vis-à-vis its supply agreement with Imperial? It's the one company that has a "guaranteed supply." The so-called shortfall becomes Exxon's problem, not necessarily Imperial's. What happens when this mechanism is triggered? They come under this too.

**Mr. Dean:** The federal scheme can't, of course, get out into the international area. It can only operate inside Canada. So it can only allocate or take into the Canadian pot, if I can put it that way, whatever crude oil Imperial happens to be getting from Exxon.

Under this scheme, it can't reach out into the international area and bash Exxon to give up oil to its affiliate Imperial Oil. Assuming that the IEA trigger has been pulled, then Exxon's supply to Imperial is governed by the IEA agreement as a total country entitle-

ment. That having been said, there's an oil availability in Canada which is distributed by the board, the Energy Supplies Allocation Board in this case, hopefully equitably in proportion to each company's market share.

[11:15]

This is the initial phase. This could happen quite quickly. The crude oil program has been written and devised to be implemented inside seven days. That is seven days from day one. Given an emergency declared by the Governor General under the federal act on day one, and the programs instituted by the board, the crude allocation program could be in effect within a week, that is, the first directive back from the board to the oil companies saying this is what they must do, how much oil they are allowed to run, what they must give up. We'll have our own sharing system inside the country of dividing up the available oil.

**Mr. Handelman:** Only at the refinery level on crude oil?

**Mr. Dean:** Yes.

**Ms. Gigantes:** That presumes the board has been appointed?

**Mr. Dean:** Oh, indeed. The board has to be in place and an emergency has to be declared because there is no way the companies are going to give up oil, except under mandatory direction by the federal government. They are not going to give up oil voluntarily, that's for sure.

The seven days has been picked simply because Venezuela is the nearest supply source to Canada. An interruption in international supply could affect Venezuelan supplies to this country. Seven to 10 steaming days away brings you to the point where you could begin to feel it.

There is a secondary stage which leads on to the point you mentioned in respect to product allocation at the wholesale level. This ties in to crude allocation. The second phase of the crude oil allocation program recognizes the output of the product allocation program.

In other words, the output of the product allocation program around the country—and I'll come to that again in a moment, if I may—determines where crude oil should be processed in the country. This is perhaps the point of it. Refineries may be asked to give up oil—which they would ordinarily expect to have under their market sharing formula, to another company or another refinery in another region where the demands for products on the part of the consuming public demand that oil is run there and not where the original owner has his refinery.

You could reach a stage—and I doubt whether this would ever be reached, although the program allows for this—where refineries could be asked to reduce their crude intake to a point where it becomes no longer economic to run the refinery. Below a certain point it isn't economic to run, depending on the refinery, the location, the type of crude oil and the type of configuration. You could get to a stage, theoretically, where a refiner may want to do that.

I think the board would not likely get into that type of situation. This would involve discussions with the provinces, the company and other federal departments. But it is allowed for. It is a contingency that has been foreseen.

**Mr. Handelman:** But surely if the federal government did allow a refinery to continue to obtain supplies, even though consumer demand in that area was not sufficient to justify it, then you would get to the next step where the product of that refinery then has to be allocated.

**Mr. Dean:** Yes, that's right. You don't have to shut the refinery down. If economics and costing come into it, it may be preferable to run the crude in the original refinery, transfer products in bulk from one region to another and keep the refinery running. There are variables.

I only mention it so you are aware of this rather extreme case.

**Mr. Handelman:** But the extreme possibility does exist?

**Mr. Dean:** Yes.

**Mr. Handelman:** There would be product allocation as well as supply allocation?

**Mr. Dean:** Oh, yes. In my opinion it's more likely that bulk products will be transferred rather than refineries shut down and people turned out of their jobs. I just don't see that happening. It's not likely, anyway.

The crude oil allocation program will be run from Ottawa by the board. There is no provincial involvement in this. This is a directive system from the board to the individual companies operating refineries inside Canada.

The product allocation program, the one you mentioned, at the wholesale level, would be started on the same day as well. At least it would be instituted on day one, assuming an emergency. The allocation program can be invoked at that time. The system has been set up so the reporting companies, people who distribute oil at the wholesale level, have a ready-made mechanism to report back to Ottawa on their available stocks, their mar-

kets, who their customers are, the size of their individual market outlets, their distribution systems and so on.

The key point to the product allocation at the wholesale level—and recognize that is the last point of distribution before retail; that is what is meant by wholesale level, bulk distribution at the last major terminal before getting to the pump level at the service station, for example—the major aspect of the product allocation program is the division of the market in terms of priorities, the classification of end uses of the wholesale customer. Energy, Mines and Resources, which has been developing this scheme in the absence of a board, has recently revised its allocation system, the allocation classifications.

I don't think they are public to the point of having the manuals circulated widely; I don't think that is true. It's public to the point that two weeks ago or so there was an interview you may have seen published in the *Globe and Mail* between the Ottawa bureau of the *Globe* and a couple of employees at Energy, Mines and Resources who developed this scheme. In that interview they mentioned this allocation program, but more particularly went on to talk about gasoline rationing, which is the third stage. So it is public knowledge to that extent that the public knows of these things, knows they are available. I have no hesitation in sending you and the members of this committee a copy of the classification categories if they wish.

**Mr. Handleman:** I wouldn't want to contribute to any public panic on this but having seen it first—

**Hon. Mr. Welch:** It would be difficult for Mr. Dean to respond to part of your question, Mr. Chairman, without having that, so perhaps we should—

**Mr. Dean:** I don't have copies with me at the moment but I can make them available, Mr. Chairman. By this afternoon, I can get some copies of this thing run off.

**Mr. Handleman:** I would appreciate it.

**Hon. Mr. Welch:** I think your research office was given some information about this.

**Mr. Dean:** Yes, they were. They asked about it and I sent them across.

**Mr. Handleman:** I would prefer not to go on to the third aspect of it because I am one of these optimistic—

**Mr. Dean:** I agree. This is the document I am referring to and it splits down, it classifies end uses. I will just go over one or two of them if I may.

**Hon. Mr. Welch:** I would hope we wouldn't lose sight of part of the question, Mr. Chairman, of the member who wanted to know what the provincial involvement was with respect to those discussions.

**Mr. Handleman:** Whether priority setting on a provincial basis is possible under the scheme.

**Mr. Dean:** Can we come to that in a moment? Briefly, this classification of end use of wholesale customers has a small section of the highest category, category A. These are categories concerned with fire, police, ambulance, national defence, public transportation and supplies to the northern areas, things of that sort. These are given the highest category. Industry, generally, is given the next highest category. The highest category is termed "critical," by the way. The second category is termed "essential." I hold no brief for the way these things are being classified by way of wording but nevertheless the term is "essential" and these are mostly industry.

The third category, category C and there are only three categories, deals with aspects related to the standard of living of consumers, so hotels, motels, car and truck rentals, offices, stores and warehouses are given category C for all petroleum products except those used for space heating. That's what I have been talking about up to this point: all petroleum products except those used for space heating, such as, for example, for automotive transportation and so on.

**Mr. Handleman:** You didn't mention utilities.

**Mr. Dean:** Utilities? Public utilities?

**Mr. Handleman:** Are large users.

**Mr. Dean:** Public utilities are classified within the industry level, and it gets a category B for all petroleum products except those used for space heating.

All space-heating uses, whatever their splitdown, generally get a category C. In other words, the scheme says you can put on another sweater—except for hospitals and health care, which get a category A, and hotels, motels, residences, apartments and schools which get category B.

We could all have different views about the way these things have been set.

**Mr. Handleman:** Presumably when the board is established it will have another look at some of those and maybe do some shifting.

**Mr. Dean:** It may well do. This recent update shows that even without a board they have not been set in concrete. The board, incidentally, I suppose is entitled to reject all these schemes. It is unlikely, but—

**Mr. Handleman:** They wouldn't have time.

**Mr. Dean:** They wouldn't have time.

**Mr. Acting Chairman:** Can the province do anything about that?

**Mr. Handleman:** I was particularly concerned about the utilities and the use, obviously, of Ontario Hydro, which is one of the major consumers of petroleum products, and where they would stand in terms of priorities, and whether we would have any say in determining their priority under any allocation program.

**Mr. Dean:** There is nothing in the scheme which precludes any province from going to the federal government with its case. If the utility itself, or any user, wanted to make a case the way is open for it to do so.

**Mr. Handleman:** Are there appeal mechanisms?

**Mr. Dean:** Yes, there are. The administration of the scheme will not necessarily be handled from a central point in Ottawa, although that is where the board sits. The day-by-day implementation of this particular scheme will be handled regionally. There will be a regional office here in Toronto. The third part of the scheme—

**Mr. Acting Chairman:** Thank you, Mr. Dean. Any other questions?

**Mr. Handleman:** Unless anybody else wants to hear about the third part of the scheme, I would, as an optimist, say I hope we never reach that—

**Mr. Dean:** You know what it is, Mr. Handleman?

**Mr. Handleman:** I have an idea.

**Mr. Dean:** It's a coupon situation.

**Mr. Handleman:** I really don't want all the details of that bureaucratic nightmare. It would be worse than the Anti-Inflation Board, which I once described as a monument to bumbling inefficiency. This would be even worse. I hope we never come to that.

**Mr. Dean:** Are there any more questions?

**Hon. Mr. Welch:** I know the member for Carleton East (Ms. Gigantes) raised some questions in connection with the international agreement in the House yesterday. I didn't know whether there was any further information we might need from Mr. Dean.

**Mr. J. Reed:** I have one question, and perhaps the honourable member asked it when I was out of the room for a minute. Because of the recently announced events—the cutoff of oil from Iran to Gulf which took place two weeks ago and was confirmed today on the radio, the apparent alignment of Libya and Syria with Iran, et cetera—is any prediction

being made or is anything being suggested about a move towards triggering this mechanism?

**Mr. Dean:** Not that I am aware of, Mr. Reed.

**Mr. J. Reed:** Or will the sky fall all at once?

**Mr. Dean:** I don't think the sky will fall all at once. During the aftermath of the Iranian revolution we were kept quite well-informed from the IEA's deliberations as they went on in Paris. They met frequently and issued reports from time to time as to their intentions. They were under a lot of pressure, as I mentioned earlier, to trigger the scheme, and they responded publicly to this. I don't imagine there will be anything different this time.

[11:30]

What we've seen happen in the past few days is a suggestion that some OPEC producers will reduce their production levels by some amounts in 1980. Libya is one, Kuwait is one, Venezuela is another. That was a lot of suggestion, talk or speculation as to whether Saudi Arabia will reduce its production level by the million a day currently being offered to the world. The production level of Iran is an unknown quantity. It is currently variable between two million and three million barrels a day.

We're really talking about a trigger mechanism. If you assume a trigger level of about three million to four million barrels a day, and you assume normal consumption in IEA countries is about 40 million barrels a day, seven per cent of that is about three million. Now three million is very easily accomplished. You can build up a potential cutback of three million a day without too much trouble with Saudi Arabia accounting for a third of it on its own account. Obviously, the danger is there that that trigger level will be reached.

When a month or so ago the Iranian oil disappeared off the market for a few days, in effect that was the trigger mechanism, the trigger level, the three million a day swept off the market. The IEA hesitated, and rightly as it turned out, and they'll hesitate again. So I can't answer your question. It's a "what if" question.

**Mr. J. Reed:** Yes and I appreciate that. I just sit here totally astounded that questions asked by opposition parties in the House are met with responses such as, "We don't want to create undue alarm." I suspect I have, thus far, been accused of being a purveyor of doom and gloom.

**Hon. Mr. Welch:** That's after we've given the information we have available and that usually is the end of the answer. I wouldn't want the member, at this point, to say that's all he gets when he asks questions in the House.

**Mr. J. Reed:** No, I appreciate that, but this whole question really has its roots in the time I first had the honour of becoming a member of this House, talked about the finite oil reserves and we had to move then in new directions in order to assure energy supplies in the most vulnerable province in Canada. We are still saying: "Gee, don't really talk about it. Let's not get too hasty now and get too concerned because you're going to generate undue alarm among the people of Ontario."

I don't look upon it as alarm at all. I look upon it as a challenge that must be met. Rising to that challenge and dealing with it, to me, is not being a purveyor of doom and gloom or creating undue alarm. I suppose it's just the way the problem is being approached.

We both agree and we both recognize the problem but I'm just astounded we see the reality here and yet the moves are not happening. That's why I asked that supplementary yesterday in the House: Will you make one statement about a comprehensive move in the direction of conservation?

**Ms. Gigantes:** Supplementary: One of the things that has concerned me in looking at the international agreement is if the triggering mechanism is set off, the potential in terms of percentage cutbacks in Canadian imports is much higher than American imports. We would stand to lose under a 10 per cent disruption in supply according to the model outlined on this page we're looking at now.

We'd be in a position to lose 47 per cent of net imports to Canada; the Americans would lose 19 per cent; the Japanese, 12 per cent. Obviously, when you look at those figures, what it adds up to is that a country such as Canada, which is relatively self-sufficient in oil, has a relatively small quotient of imported oil and is a large energy user, stands to lose in percentage terms a much larger portion of its imports. I'm concerned about what that means for Ontario. I wonder why the Canadian governments that we've had would agree to such a system. I understand that what it amounts to in total will be a disruption of 10 per cent of everybody's total supply.

In fact, we're vulnerable to having our imports cut at a much higher percentage. It doesn't add up to as much loss in normal

supply as the Americans, but not that much less either. Considering that they import 50 per cent of their oil and we have a greater degree of self-sufficiency, why should we be in an agreement where we tend to get punished more in relative terms; and secondly, what input has Ontario had or will it have in trying to change that kind of agreement?

**Hon. Mr. Welch:** I suppose an international agreement is just that, it's an agreement to share; that's the whole spirit of the matter—to share. I'm thinking in terms of people and population and the needs of people. Mr. Dean, help me with my interpretation—remember we were talking about the last sheet—as I understand it, we're talking about a 47 per cent reduction of 300,000 barrels a day as compared to 19 per cent of 8 million.

**Mr. Dean:** Yes, that's right. The per cent losses in normal supply on the bottom line are relatively close because the scheme has been designed to reflect that, so that all countries would lose roughly an equivalent amount of oil.

**Ms. Gigantes:** But the point is this: It is America which is most vulnerable to the international situation in terms of its total oil supply, because imports make up 50 per cent of the American oil supply, and what we've done is chained ourselves to the American dependency on imports and set ourselves up in a system where we get punished almost the same as Americans if there's a disruption in imports. Normally we might not have to be punished that way. We're much more self-sufficient in oil than the Americans are.

**Mr. Reed:** If their economy goes down ours goes down as well.

**Ms. Gigantes:** But whether we keep warm while the economy goes down is really quite moot.

**Mr. Dean:** Yes, I would just like to point out, though, that as we become more and more dependent upon foreign oil, as we can't help but do over the next six or seven years that percentage will decline; it is only 47 per cent. It is only at that figure because we are net importers of a relatively small volume.

**Ms. Gigantes:** But I expect that with decent programs at the national level and hopefully at the provincial level we're not going to be in a situation where our dependency on imports is going to be rising in relative terms. I don't see why it should. I think that's inexcusable, if we have decent conservation.

This agreement seems to me, with all due respect, to be an agreement which says the

more self-sufficient you are in oil, even if you're a tiny net importer, the more you get whacked if the Americans, for whatever reasons of their history or international politics—

**Hon. Mr. Welch:** Just another form of needs testing.

**Mr. Dean:** May I just point out that if you would look at line J, and you would look at the amount of oil that is actually given up, the Americans give up 1,650,000 barrels a day—a very large portion of the total of four million. Of that 1,650,000, 1,570,000 is spread around the IEA countries that are not even mentioned here.

**Ms. Gigantes:** Quite so, but they have 10 times the population and the industry to spread it around.

**Mr. Dean:** Yes, but they give up more. The United States is pained to give up this oil.

**Ms. Gigantes:** In percentage terms, it doesn't matter how you cut it, in a disruption of 10 per cent we could be in a situation where we have given up 47 per cent of our imports. The effect of that in Ontario is something that concerns me, the existence of such an agreement as this one, for which I can see no future benefit. The present benefit seems to be negative and it makes me wonder if Ontario is sitting down with the federal government to review whether or not we should, as a country, be involved.

We're the biggest oil user in Canada. It should concern us more than any other province that the Canadian government get into such an agreement.

**Hon. Mr. Welch:** I think the honourable member has placed her observations on the record. I think what we have tried to do in a practical way is to respond to these figures against the actual reality as to the amount of oil this means for us or the loss in actuality compared to our neighbour to the south.

Certainly, we could all have different points of view on the question as to the extent to which we would share. These figures simply reflect the degree of self-sufficiency we have. If that was to be altered, as Mr. Dean has pointed out, it would influence these figures related to actual need. We have to face the reality of the time; a very important neighbour to the south imports 50 per cent. We, in this jurisdiction, are in the forced position of having to import only 20 per cent at the moment.

The honourable member says perhaps more emphasis on our own need should be part of our approach in international agreements. I would think the people of Ontario generally

would understand there has to be some sharing related to actual needs. I don't think Ontario was a party to this agreement.

**Ms. Gigantes:** For sure, it wasn't.

**Hon. Mr. Welch:** If there is any evidence that any undue hardship would result in this, then we have an opportunity to make that case under the framework of the federal legislation, which has been explained to us.

**Ms. Gigantes:** Mr. Chairman, let me suggest to the minister that I think the evidence sits there in that page before us. It's time Ontario proposed to the Canadian government that this particular agreement is not to the benefit of Canadians or Ontarians.

**Hon. Mr. Welch:** I'm not so sure I would want to be a party to excessive selfishness.

**Ms. Gigantes:** It's not a question of selfishness.

**Mr. Ashe:** Build a Berlin Wall right around the country.

**Ms. Gigantes:** It's a question of being unduly punished for being self-sufficient or relatively so.

**Hon. Mr. Welch:** I wouldn't be upset as a Canadian if, in fact, we so improved our position and reached self-sufficiency that we didn't need to take any imported oil and make it available to those who needed it; that's not a bad goal.

**Ms. Gigantes:** That would be perfectly lovely. But in the meantime we are very vulnerable.

**Mr. J. Reed:** I'd just like to make a comment. The western world is economically tied together. If there's some bullet-biting to be done in one country, it has to be shared at least to a certain extent by the other countries.

**Ms. Gigantes:** When we didn't produce the bullets why should we have to bite them?

**Mr. J. Reed:** We did produce the bullets because we're the largest consumer of energy in the world right here in the province of Ontario.

**Mr. Ashe:** Per capita.

**Mr. J. Reed:** That gives us the greatest opportunity for conservation. It also establishes that if there's an element of responsibility regarding the utilization of petroleum, surely that element is just as important here in Ontario as it is anywhere else in the world.

As an industrial province, our economy is dependent upon exports. We're dependent on a reasonably healthy economy somewhere else which can buy the goods and services we

have to offer. That's why I say, if there's bullet-biting to be done in the western world, we have to assume responsibility along with everybody else.

**Ms. Gigantes:** We have to look after ourselves too.

**Mr. J. Reed:** Of course we do, but we're not the only country in existence. We can't build a wall around us and live in isolation.

**Ms. Gigantes:** I'm not suggesting that. I'm suggesting we shouldn't be subject to a 47 per cent cut in our imports under this kind of agreement.

**Mr. Ashe:** Is that a party philosophy, Evelyn?

**Ms. Gigantes:** That's my opinion.

**Mr. Ashe:** Isolationists.

**Mr. Acting Chairman:** Mr. Gaunt was next on the list, if we're leaving this subject, which I assume we are. Thank you, Mr. Dean.

**Mr. Gaunt:** Thank you very much, Mr. Chairman. We've been talking about the possibility of supply reduction in terms of oil and I hope my comments will address that to a certain extent. I just wanted to give the committee and the ministry an update on what I had discussed on November 21 in committee that being an invention of Mr. MacGuire, which is an add-on advice to reduce the gas consumption of automobiles and trucks.

[11:45]

I have now spoken to Mr. MacGuire personally, thanks to the very kind of assistance of your clerk, Fran Nokes, Mr. Chairman. On November 26, Mr. MacGuire had just returned from Europe. I had a lengthy discussion with him on his invention. He told me that he had a meeting in Cologne, Germany, with the Ford engineers of Europe. From his point of view, they had a very fruitful discussion and the engineers of Ford of Europe are now convinced of the merits of the device.

They're about to recommend that the device be placed on all Ford cars in use in Europe. British Leyland and Weber Carburetion, two British companies, have tested the device at some length and they got improved fuel economy of 20 per cent on average. They're not moving into what they call Phase II of their testing program which is an emission standard testing program. They're quite satisfied in terms of the fuel economy of the particular device.

I mentioned last time I was here that Fiat was doing some testing; that has been expanded. The faculty of engineering at the

University of Belgrade has taken up the testing of this device and that's progressing, I understand, at this moment. Mexico and Chile are very interested in the device. When I say those countries are interested in the device, I'm talking about interest at the governmental level. They feel the device has real merit and are prepared to move it forward.

The last time we discussed this matter, Dr. Rowe indicated in a very helpful way that the Ministry of Transportation and Communications had done some testing on this device and I believe they were convinced of its fuel efficiency qualities but there was a problem with emissions; that NOx was a problem.

I discussed that with Mr. MacGuire at length and he said, "That is really no problem at all. There are three ways to correct that," and he mentioned that there could be trade-off with CO. He said the most effective way was the catalytic converter which went into use in California. It dropped their NOx from 200 parts per million to 40—which incidentally meets the California emission standards for 1982. So it seems to me there's no problem there, as far as Mr. MacGuire is concerned and apparently as far as some of the engineers associated with him are concerned.

I hope that that doesn't indicate a casual concern on the part of the Ministry of Transportation and Communications and those who tested the device. I hope it doesn't indicate an adversarial attitude on the part of MTC because when one can list the credentials of people and governments who have already tested this thing and who are satisfied with its merits, I find it unusual that we would find a problem with it here—the very province where the gentleman lives who invented it.

I suppose it comes back to the same old story, "A prophet is not without honour, save in his own country." Perhaps we can take another look at that or somebody in a position of responsibility can take another—

**Hon. Mr. Welch:** I can give you personal testimony that that's not the case in that part of Huron county from which he comes, obviously.

**Mr. Gaunt:** Oh well, that's another story. We'll deal with that again. But the process, Mr. Chairman, is very simple. It is simply a homogeneous mix in the carburetor which creates a continuous turbulence to give complete burning. In respect to that, I am told by Mr. MacGuire that this device when affixed to an automobile driving down the road at 70 miles an hour on a hot summer day doesn't

do anything for one's fuel economy. It does, however, give the greatest benefit to a car warming up a cold engine in the wintertime with its colder temperatures, where one doesn't get that turbulence and clean burn which would happen at higher temperatures.

When your automobile is cold and warming up, and you are engaging it in a lot of stop-and-go driving, you get the greatest benefit. This device simply ensures that you get almost complete burning from the start, which you don't get now because of the choking action of the automobile.

Mr. Carter in the United States has asked Americans to drive three miles less per day than they normally would, and that would solve the problem. I am told this device would be the equivalent of driving five miles less per day on the average, so we can see what it could do here.

I mentioned before if everyone had this device we could save 1.5 million gallons of gasoline per day. I don't know what that translates into in terms of barrels of oil; but I would suggest it would be considerable.

Earlier this morning we were talking about what is happening in Iran, Venezuela and Kuwait, in terms of what they are going to do in 1980 with respect to oil exports, hence imports into this country and North America generally. I think it is fair to assume those countries are going to reduce their oil exports to the world generally. One just has to look at the Persian Gulf to understand immediately what would occur if something happened to the movement of oil from the Persian Gulf. Certainly, the western industrialized countries would be placed in a very difficult and almost immediate crisis if that were to happen.

All I am saying is I think there is something here that has merit. When one considers that 42.7 per cent of the refinery production is used for transportation in this country, it therefore follows that any dramatic saving in consumption would certainly put us in a better position with respect to being self-sufficient and weathering any possible storm that might result from a worldwide supply reduction program.

I suggest that perhaps the first place one could start, Mr. Minister, is to put this device on those gas guzzlers in which the cabinet ministers ride around. Perhaps the government fleet could try this as an experiment. I see them bouncing around here on a few short runs. It might be advantageous for the government to consider that as a first step and to take a little more interest in this particular program. If we are satisfied as I am, having reviewed the documents and having spoken

to Mr. MacGuire, that this thing really does have some merit, it should be promoted on a wider basis.

I hold no brief for advancing the invention; I am just interested in making ourselves as energy conscious as possible and putting into place anything we possibly can to reduce our gasoline and energy consumption in this province and, indeed, in this country.

By the way, I am given to understand this particular device is going to be manufactured and distributed by Magna International Inc., a company here in Toronto; it should be on the market by Christmastime and will retail for approximately \$40, which isn't beyond the means of any of us, I suggest.

I would like to get the minister's response.

**Hon. Mr. Welch:** I would like to make one or two comments on that. I am going to ask Dr. Yang from our ministry to go into some of the more technical aspects of the response, which I am sure the honourable member would like to have. I feel quite confident—and I don't mean in any sense to be raising questions about it—if the honourable member was looking for a second career, he would make an excellent barker at the Canadian National Exhibition any summer with any gadget he might like to sell. He would look good in a straw hat at the Ex anytime.

**Mr. Gaunt:** Could I have a recommendation from you?

**Ms. Gigantes:** The two of you would be overwhelming.

**Hon. Mr. Welch:** On a more serious note, let's put this in perspective and then let's invite staff to comment on some of the technical aspects.

We are on vote 2004, which is energy conservation, and this is a logical and relevant point the member wants to make with respect to energy conservation. Certainly, if half of the oil we consume in this province is for transportation, and if I recall correctly 35 per cent of that is for the private automobile, then anything which can be directed towards better fuel efficiency with respect to the areas he is addressing has to have the benefits we would all want. The attitude of everyone, including those of us in government, has to be that any positive step that can make a contribution to more efficient use of fuel, with respect to the transportation sector, must be attractive.

One of the difficulties the government is faced with in this area, as it discharges its responsibility to protect the public interest and to make sure there is some objective review of all these matters, is it may be cast in the position of looking for faults rather than the positive aspects. I think that is un-

fortunate; nothing would please this ministry more than to have somebody develop something that could really address this area. So let's be together on that point.

I have been Minister of Energy for only three months, and I have been amazed at the number of people with an interest in all of these areas bringing their inventions, ideas and solutions for the present circumstances forward, and who get somewhat impatient with anyone who appears to be standing in their way—because they've got the solution. I can understand that if one has devoted a great deal of time to any particular procedure or gadget or equipment.

Just to speak in general terms, before getting some of the technical answers, I don't think anyone, certainly no one I am associated with in the ministry, is attempting to throw cold water on anyone's idea. Whatever the contact is with the ministry and the agencies which the ministry uses to make assessments, it is meant to be helpful to those who are bringing forward their ideas. No doubt if you were involved in talking to people from time to time, you would understand that. I don't know how one accomplishes that.

**Mr. Mancini:** I didn't think you were doing it to protect the consumer; I am glad to find that.

**Hon. Mr. Welch:** I'm awfully glad you stepped in long enough to hear that particular matter.

If we understand each other, I think it is important that you have some update as to how Mr. MacGuire and the ministry have come in contact from time to time, and the encouragement I hope Mr. MacGuire has felt he has received from the ministry as certain matters have been drawn to his attention.

**Mr. Gaunt:** He didn't indicate anything other than that; that was my own observation.

[12:00]

**Hon. Mr. Welch:** Having said that, if we do have something, that is how the marketplace has grown. People have come forward with their ideas and developments, and have gone out and sold them to the public. I will tell you why I mentioned that. It is not necessarily to draw attention to a particular inventor, but I have sensed in the very brief time I have been here that sometimes people feel, once they run up against the bureaucracy, that all they are trained to do is to find faults and create the atmosphere of discouragement, rather than to be more positively oriented. I want to assure you that is not the case here.

What we are recognizing, in keeping with the spirit of the exchange which the honourable member who is the official opposition critic for this ministry has mentioned, is that this is the area where we have really got to make some significant improvements if we are to address the whole matter of fuel-oil consumption. I really feel this in what little time I have been here.

Having said that and painted that general background, and I am sure we are all onside on that matter, it may be helpful if Dr. Rowe and Dr. Yang very briefly indicated to you where we think we are at in so far as this particular equipment is concerned.

**Dr. Rowe:** Thank you, Minister. Mr. Chairman, I would like to say to the member for Huron-Bruce, I am very pleased he has come back. Issues and matters are raised here as questions so often. Staff of course want to support the minister and say we do have good answers and we want to have the opportunity of placing those on the record. I am so pleased you have come back, sir.

What you may not be aware of is that my own family background is Kincardine.

**Mr. Gaunt:** You've got the right background.

**Dr. I. H. Rowe:** The suggestion that with that kind of background, in my capacity I would not—

**Hon. Mr. Welch:** His grandmother's name was MacGuire.

**Dr. I. H. Rowe:** —have open arms to the desire for prosperity for Ontario, the remotest suggestion we would in any way stand to prevent the best possible ideas and achievements for the province coming forward, with that background, would pain me.

**Mr. Gaunt:** I agree entirely. I hope you don't feel too defensive about this, Dr. Rowe.

**Dr. I. H. Rowe:** Not at all. I would like to go back, if I may, to the way the program was set up to handle questions of this particular nature.

A number of years ago I had the privilege of starting the fuel-economy device evaluation program with the Ministry of Transportation and Communications, working with a very solid engineer by the name of Doug Farren. I wanted to draw particular attention to him, because I think it was his insight that facilitated setting up a very good testing program. Doug died last week, and it is a loss to the civil service and to this particular government. He provided good counsel and guidance for setting up the transportation energy-management program.

Let me now move precisely to the terms of the fuel-testing program he set up. First

some principles: it was recognized that the government itself would be a good market for such devices; in itself it would very much encourage a market if we could find such devices and introduce them instantly to the fleet, because the government of Ontario operates the biggest fleet in the province. That was a starting principle.

The second principle is we would have an open door with respect to any manufacturer or inventor who came in with a device, provided he first presented us with some reasonable data acquired by a third party, someone who might bear scrutiny as one who was independent. I have to say that Mr. MacGuire did come forward with his information and with his earlier PED.

I would now like to turn this over to Dr. Yang for a moment to discuss the process the Ministry of Transportation and Communications went through, the extent to which he was facilitated and precisely where the government of Ontario is now on that particular device, not the same device that was first introduced to the government.

Dr. Yang is a physicist by background and has been working for many years in the transportation area. He worked for some three years with the Department of Transportation in the United States setting up the fuel-economy program in that country. He is very well versed in this particular area.

Dr. Yang, could you provide some background on the original device and where it stands right now?

**Dr. Yang:** We have had both a very pleasant and amicable but also useful working relationship with Mr. MacGuire over the years. As Dr. Rowe indicated, he first came to us in 1976 or 1977 when our program was just beginning. Since that time, both the Ministry of Transportation and Communications and ourselves have improved our program of testing and Mr. MacGuire has improved his device.

Unfortunately, in 1977 the government did not have a standard test procedure. We didn't have the equipment; it was expensive and it took quite a long time to get it installed. The only thing we could do was test on a couple of government fleet vehicles. The engineers at MTC did the best they could. It looked as if there were small positive gains, although there was uncertainty about the emission impact of the device. It was agreed at that time between Mr. MacGuire and MTC that as he was developing the device MTC would continue to monitor the situation and try to test new devices that came off the line.

If I can go back a little, in the early 1970s Mr. MacGuire got the notion for this air-injection device. It is a very simple device which fits in the airstream. It has three little plastic balls which bounce around and apparently break up the air flow. In a certain sense, it is black magic, because nobody really quite understands why it works; but it seems to work in many ways. In the early 1970s Mr. MacGuire was primarily interested in a cheaper way of controlling emissions. Instead of using catalytic converters it was his idea to install this kind of device to get very clean-burning automobiles.

He discovered, to his delight, that it seemed on some of his tests to save some fuel. At that time it was his intention to retune the engines on the cars to which he would attach the device to be leaner-burning—that is, a higher proportion of air to gasoline, so there would be more complete combustion. Perhaps there would be some loss of power, but there would be better emissions and also better fuel economy.

Since that time, Mr. MacGuire has discovered that with some modifications which, for proprietary reasons he is not willing to disclose—he has changed the composition of the balls and their size, and the impact is a little bit different now—the engines to which these devices are attached should be retuned for slightly richer mixtures—that is, a higher fuel-to-air ratio.

When he brought this information to our attention on October 31, when we had a joint meeting with Mr. MacGuire, MTC and the Ministry of the Environment, he said it was puzzling to him that it worked better with a richer fuel mixtures; but he was perfectly willing to stand by that claim and would like the government to do some testing on our dynamometer. We said we would be delighted to do that if he could supply us with the technical specs of the device as it stands today and with information on whatever testing has been done by third parties on the existing device. The stuff we have in our files, and also the reports he had accumulated as of October 31, related to the 1977 device rather than to the current generation of it.

When we left that meeting, Mr. MacGuire expressed the hope that within about a month—that is, about now—he would be able to bring the information together, and we said we would accelerate the process under which a thorough test could be performed.

At the same time, we were drafting some pretty rigid guidelines for all inventors and manufacturers of devices, since over the last

year MTC and ourselves have received requests for testing over 100 devices and fuel additives. As you can well understand, this is a very expensive procedure, both in terms of staff resources and time.

One of the happy accidental results of that meeting in October was we expressed a measure of scepticism over the existing reports Mr. MacGuire brought in. Indeed, we pointed to the fact that the US Environmental Protection Agency had said in all the testing of their devices over the last five years, which encompassed about 350 devices, they had found zilch, none that had a positive fuel benefit.

Mr. MacGuire said, "Well, that can't be possible. I had the EPA test my device in 1977 and they showed small but at least marginally positive benefits." We pointed out to him, though, that official EPA literature said they found nothing—including his device. With that sort of thorn in his side, Mr. MacGuire checked back with EPA and said, "Sure enough, you guys uncovered an error; EPA have admitted their mistake." He is now very pleased this error was detected and that EPA are going to redo their literature. In fact, they have been very encouraging to him and would like him to bring the new generation of his device to Washington.

I understand also Mr. MacGuire has been very successful in the private sector. We encouraged him not just to rest easy with the government fleet as his market, and he is negotiating with the Ford Motor Company in the US and with Chrysler both here and in the US. I am not sure whether the latter is good or bad, but at least he hopes to be cracking the private market as well.

We are hopeful that this will be a mirabile dictu; things which are inexpensive, easy to attach, will not have a negative impact on emissions thereby contributing to cleaner air, and will also contribute significantly to a reduction in transportation energy consumption.

**Mr. Gaunt:** I am pleased to hear that. I am working from memory, and if I recall correctly Mr. MacGuire said he was going to Washington either this week or next. That would certainly be in keeping with your information.

I understand the only three cars on which this device will not have any positive effect are the Chrysler lean-burn, the Honda and I think one other—possibly Toyota, I am not sure. Aside from those three, the tests, according to the information he conveyed to me, are very positive indeed.

**Dr. Yang:** We are very interested in this. From the latest information, at least for Mr. MacGuire, it seems that richer burning is not bad for fuel consumption or efficiency. We are surprised at that, because the thrust in both the Canadian and American automobile industry has been to go to a leaner-burning engine. That has apparently been working, but if there is a different way to do it, we would be delighted to hear about it.

**Mr. Gaunt:** I won't take up any more time, Mr. Chairman. I am satisfied the ministry is on top of this and that things are moving forward. I wanted to get some sense of that assurance, and I have had that. I think the possibilities are very exciting and that we should do everything possible to encourage Mr. MacGuire, as other countries have done.

**Mr. J. Reed:** My colleague has already saved the people of Ontario a million and a half gallons a day, and I would like to go for another million and a half in about two minutes.

I would like to talk about GO Transit into the metropolitan area. It is a kind of vested interest so far as I am concerned. I happen to be one of those poor fellows whose hours do not coincide with GO Transit's schedule on the system as it is set up at the present time. I wonder what the ministry is doing right now to upgrade the public transit system so we can effect a real quantitative saving in Ontario in term of gasoline.

[12:15]

I fully appreciate it is probably more expensive to run a train half empty; but I also know there is equipment available and sitting idle at present which might lend itself to the expansion of hours in terms of GO Transit. We don't have to run a nine-car train for four cars of people. There are such things as Dayliners and combinations of Dayliners and fewer numbers of cars in off-hours, and so forth. I wonder what the Ministry of Energy is doing in that regard to promote a very comprehensive expansion of this system.

**Hon. Mr. Welch:** Mr. Chairman, this could provide us with an opportunity perhaps to share some information. I'll ask Dr. Yang to respond to that. Along with the Ministry of Transportation and Communications, we have been asked by government to attach some high priority to this whole question of changes in transportation systems which will obviously affect energy consumption. Included among other matters to which Dr. Yang may make some reference is the whole matter of electrification of the system, the GO system itself.

The committee with which we are connected has been given some specific instructions and time frames to address some of these issues. Maybe it would be helpful, Dr. Yang, if you shared some of that work that is going on in your committee.

**Dr. Yang:** Mr. Chairman, the question of reduction in transportation energy consumption without question is in the medium- and long-term public transit and public transportation. I distinguish between those two; public transit being in the cities and possibly the commuter lines, and public transportation being the inter-city bus, inter-city rail and air. Certainly these offer tremendous potential for energy savings.

In the short term, the major savings are going to be in the automobile sector because we're so dependent on the automobile today. The provincial government has had a strong position in support of municipal public transit for a number of years. Since 1971, our total level of expenditure has been about \$900 million in capital and operating expenses. This year, the expenditures related to GO Transit alone are \$68 million.

If you want to look at it from a devil's advocate point of view, in one sense that amounts to about a \$5 per day subsidy for every individual regular GO system rider.

GO Transit has been looking at how to improve both their short-term management to accommodate larger numbers of people and a longer-term strategy on increased lines and more service. This is because of uncertainties, as evidenced by the Iranian situation this past summer.

I'm not sure what the current state of the GO Transit investigations with respect to the greater service to Burlington or Hamilton is at the moment.

**Mr. J. Reed:** And Georgetown.

**Dr. Yang:** And Georgetown. There was a problem with the Streetsville-Georgetown area because the province had anticipated that about two years ago the federal government had agreed to a major sharing of both the modifications to Union Station passenger terminal area as well as the Bathurst switch. That Bathurst switch area is notorious.

If you have ever been on the GO trains, everybody sort of kneels in obeisance to the Globe and Mail, apparently because every GO train stops right in front of the Globe and Mail building, waiting for that switch to clear. That has been a very big pain for both the CN operation—

**Hon. Mr. Welch:** And the Bathurst switch.

**Dr. Yang:** My apologies, yes. But that's a very expensive undertaking because we

would want a completely grade-separated crossing there so that the trains coming in from the northwest would not interfere with the trains coming in from the west. That switch at the moment is something like 120 per cent overloaded. That explains why we haven't been able to avoid slowdowns. I'm afraid it's going to happen as soon as icing conditions develop again. There will probably be slowdowns in schedules and we will not be able to put a greater volume of service there for a number of years.

The province is going ahead with limited changes to that switching area anyway, even without federal assistance. I can't remember offhand the dollar sums involved, but the federal government backed out of a \$190 million commitment for that area.

**Mr. J. Reed:** I am aware you are working in the medium and long term. There was some mention of a look at electrification and a possible electrification move, which I support wholeheartedly.

In the short term, though, I should point out that there are adjustments that can be made, both in terms of bus scheduling and terminal points, all around the metropolitan area.

For instance, the GO bus system from the west terminates at the end of one subway line, and that's at the north end. The travel time could be cut by nearly 50 per cent for those residents west of the metropolitan area if there was a terminus at the end of the east-west line.

There are adjustments like that which could be made—I only suggest it, and you can probably tell me some reasons why not. I can tell you, if you can make public transit somewhat more attractive and facilitate travel for a broader range of the population, I think you are going to get the ridership.

**Dr. Yang:** We fully support that. In fact, what you have mentioned has been under investigation for a while. You must understand that Islington station right now is heavily overloaded in terms of traffic, both from cars and buses. That terminal is used both by Mississauga transit and the TTC as a terminal focus. It had been the TTC's request to GO Transit that they try to make use of the Yorkdale bus terminal right now because the Spadina line is much more easily accessible with a higher level of service.

**Mr. J. Reed:** In terms of ridership and so forth.

**Dr. Yang:** It's also better for riders.

When the TTC completes its extension in the west to Kipling, there is the hope that the transit and the roadway congestion is

going to be alleviated out there. At that time we may be able to bring in GO buses to the Kipling terminal. But, right now, Islington is a mess.

**Mr. J. Reed:** I don't want to dwell on it because I see we're running out of time. There are a number of intended moves regarding the upgrading of GO Transit. There is the Milton line, which is a constant source of vexation to people who don't have it out there, and the upscaling of other lines, and so on, that we wait for with great anticipation. I do believe, in terms of energy conservation, this kind of thing has a lot to contribute. People are ready to do it.

I am beginning to feel very uneasy myself about driving in alone in my car in the morning.

**Ms. Gigantes:** Don't bring any more Liberals with you.

**Mr. J. Reed:** I pick up all the hitchhiking young ladies that I can.

I would like to discuss a couple of other things very briefly before we run out of time. One is this whole question of the general consciousness about energy conservation in the province and the feeling I have that the quest for conservation measures, both by the homeowner and by industry, has taken off really very slowly. It perhaps may be picking up some momentum now.

I should take the opportunity to commend the members of the ministry who are involved in conservation and renewable energy development. I'm not usually that generous when we're in opposition.

**Hon. Mr. Welch:** Would you please speak slowly, they're going to write this down in longhand.

**Mr. J. Reed:** I think they should write it down, but I want them to write the whole thing down.

**Hon. Mr. Welch:** Oh, yes, a selective editorial.

**Mr. J. Reed:** They do a tremendous job with very limited resources. That's the hooker in the statement. The resources they have to work with, in my view, are just inadequate. I sometimes wonder how they manage to accomplish so much with what they have.

One of the areas I feel is greatly needed at this time is the ability to share information on a general basis, on a widespread basis. I realize there are publications. I've got the publications list, and so on. In my vision, how information might be exchanged could be likened to the way the Ministry of Agriculture and Food disseminates information to farmers.

If you go into any ag rep's office, or you go into the extension department in the University of Guelph, you will have access to virtually any subject area that pertains to agriculture. If it's not there now, it will be there shortly. If a farmer wants to bone up on a technique, if he wants to look at a new area for his farm operation, if he wants to look at tillage equipment, diesel engines, injector systems, building bunker silos, building designs using concrete, or anything, it's all there for him.

I wonder whether the Ministry of Energy can perform a most useful role by attacking the areas of conservation and possibly alternative energy and disseminating information in a similar manner. Nobody is asking the ministry to undertake to provide the information free. Anybody can spend 50 cents or a buck for a booklet and cover the costs of doing this work. It's something that does not necessarily have to cost the ministry money. One might even envisage a system where the sale of literature might even cover the cost of the staff necessary to provide it.

I do believe if there ever was a time when information has got to be got out, and where the ministry can act as the accelerating device—as I pointed out in my opening statement—in compressing the time frame from when ideas are conceived to when they get into general acceptance, that is the kind of thing that might be very useful.

In the two minutes I have left I would like to talk about this element of conservation as it applies to Ontario Hydro. For some time I have been concerned that we have engaged in a conservation program, with varied degrees of intensity depending on the politics of the hour, where Ontario Hydro is engaged in an advertising campaign saying "Save electricity" or whatever the mode of the communication was at the time. That campaign did not apply to energy in general. It applied to electricity.

Some people felt that campaign was successful, and it actually was one of the elements responsible for a reduced growth in the electric power system, but I have had communications with people who have suggested to me that the thrust should be, if you're going to undertake that kind of financial commitment, on energy on the broader base. To me, it's just as practical to say wasting oil turns people off, or wasting gas does something to people, or wasting gas does, or whatever else we can imagine.

[12:30]

**Hon. Mr. Welch:** Just waste.

**Mr. J. Reed:** Or waste, that's right. I'm wondering whether the future might augur for the conservation element perhaps to transfer into the Ministry of Energy where that kind of commitment and that kind of communication of the desire to save might become the purview of the Minister of Energy and where he will be able to deal with other subjects in addition to electric power in terms of conservation.

I also detect, and we'll get into this this afternoon, that there must be some conflict that goes on inside the utility where there are the elements who want to return to the "Live Better Electrically" days and also the

pro-conservation elements. There must be a conflict that goes on there that tends to temper and hold back a full thrust towards conservation. I would ask the minister if he would be good enough to give that sort of thing his very serious consideration.

**Mr. Chairman:** Members of the committee, Ms. Gigantes is on the list. Is it your wish to continue?

**Ms. Gigantes:** No, that's fine, Mr. Chairman.

Vote 2004 agreed to.

The committee recessed at 12:32 p.m.

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No. G-13

# Legislature of Ontario Debates

## Official Report (Hansard)

**General Government Committee**

Estimates, Ministry of Energy



**Third Session, 31st Parliament**

Wednesday, December 5, 1979

Afternoon Sitting

Speaker: Honourable John E. Stokes

Clerk: Roderick Lewis, QC

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# LEGISLATURE OF ONTARIO

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WEDNESDAY, DECEMBER 5, 1979

The committee resumed at 2:12 p.m. in committee room 2.

## ESTIMATES, MINISTRY OF ENERGY (concluded)

On vote 2001, ministry administration program:

**Mr. Chairman:** I call the meeting to order. We are concluding the last two and a half hours of our Energy estimates. As we agreed earlier, we are at vote 2001. We have with us for the afternoon, Mr. Hugh Macaulay. Would you be kind enough, sir, to come forward and make yourself at home and be comfortable? Do you have a statement?

**Mr. Macaulay:** No, sir.

**Hon. Mr. Welch:** Mr. Chairman, in addition, Mr. Macaulay might introduce other representatives from the corporation who are here to assist in the considerations of the estimates by the committee today. Mr. Macaulay, would you like to do that?

**Mr. Macaulay:** I would be glad to do that. Mr. Doug Gordon, whom many people here know, is our president. Mr. Pat Campbell, beside him, is executive vice-president, operations. Mr. Milan Nastich, in the red tie, is our executive vice-president, planning and administration. Next to him is Dane McCarthy, who is executive director, corporate relations.

**Mr. J. Reed:** Mr. Macaulay, why do you need the Bradley-Georgetown hydro corridor?

**Mr. Nastich:** Mr. Reed, I will try to answer that question. The reason is that we have a generating station at Bruce which has four units in service and four units coming into service in the period 1982-87. In considering the most economical way to get that power out of Bruce, we need a 500-kilovolt transmission corridor out of Bruce into the grid.

**Mr. J. Reed:** Do I take it by your answer that the 500-kilovolt corridor is going to serve Bruce B as well as Bruce A?

**Mr. Nastich:** No. The two factors one has to look at in designing the transmission network are the current-carrying capacity of the circuits and security. With four units at Bruce, one circuit is very close to being the

marginal limit in terms of reliability. As we move from four units to eight units, we are increasing the problems of reliability as well as of current-carrying capacity and losses. Our people are now looking at what the reliability problems are of carrying on with one circuit out of Bruce as the new units come on line.

[2:15]

What they are looking at is what we call a load and generation rejection scheme, which determines what the operating conditions are under which we have to cut that load and the generation without harming the generation, if for some reason one 500-kilovolt circuit goes out of service.

**Mr. J. Reed:** How do you get the power out of Bruce now?

**Mr. Nastich:** It is out at 230 kilovolts with some locked-in power and at higher losses. The thing to remember is that when we push something out at 230 kilovolts, the losses are about a quarter of what they are at 500 kilovolts. At a time when we are trying to conserve energy, it seems to me that we really don't want to be generating at Bruce and burning it up as we go from Bruce down to Milton.

**Mr. J. Reed:** Have you got a record of how much power you have actually lost as a result of the Bellwood interconnection as I believe they now call it?

**Mr. Nastich:** I don't have the figures right now, but I can get them for you. My recollection is it is around \$30 million. In the 1980 period, assuming the kind of capacity factor expected at Bruce, the figure I saw, which I can confirm for you, is about a million and a half dollars a month.

**Mr. J. Reed:** When you give us that report would you tell me how you arrive at a dollar figure? What is the \$30 million compared to?

**Mr. Nastich:** It is compared to having a 500-kilovolt circuit operating at 500 kilovolts. Those are the two comparisons. I can get you those assumptions.

**Mr. J. Reed:** You are obviously planning a second line out of Bruce.

**Mr. Nastich:** No. What we have, to be specific, is a report on what is called the south-

west Ontario need for extra capacity, which Dr. Porter put out, and that report is under consideration by the province. Our hope is the province will agree there is a need for additional facilities in southwest Ontario.

**Mr. J. Reed:** You are not planning a second line out of Bruce?

**Mr. Nastich:** Yes. We are really planning to find some way of incorporating Bruce B. The best way, as far as we can see, is a second line. When we go to the Environmental Assessment Board, if the need for some extra capacity is required, then we will have to justify before the EAB all the alternatives that are available to us, including six or seven possible ways of getting the power out of Bruce GS.

**Mr. J. Reed:** Is it not rather unusual to have a generating station partially completed with no line to take out the power?

**Mr. Nastich:** Yes.

**Mr. J. Reed:** Your second line is only in the planning stage and has not gone to environmental assessment, and yet this power plant is scheduled for completion—

**Mr. Nastich:** The short answer is, if we had our druthers we would have the transmission line and the generating station working together. One of the assumptions we have been making is that it takes longer to build a generating station than a transmission line. That is not an unusual assumption, when you consider the construction time involved.

What we are finding is the time taken to get approvals for a transmission line—and you are aware of the first line situation—is many years. We started, and I started on this personally, looking for 500-kilovolt transmission lines, between Nanticoke and Pickering in 1968. That was the first time we had planned that transmission line.

**Mr. J. Reed:** How much surplus capacity do you have in the system over and above the calculated needed reserve at the present time?

**Mr. Nastich:** I think it is around 45 to 48 per cent, depending on when one measures it, at the time of peak.

**Mr. Macaulay:** I would like to suggest that part of that is divided into reserve capacity, which the Porter commission suggested should be in a range of 25 per cent and the rest of it is what we classify as being beyond our requirements.

**Mr. J. Reed:** I will ask the question again and perhaps make it clearer. How much capacity do you have over and above what you consider necessary for a reserve market?

**Mr. Nastich:** It depends on the time of year. I have some figures here which I can get. On November 18 of this year I took a look at the generation. We had about 24,000 megawatts of generation in service on that day. Our load was about 14,000 megawatts. There were about 10,000 megawatts which one can consider as being over and above what would be required to serve that primary load. Of that 10,000 megawatts, 5,200 megawatts were out for forced outages; about 1,200 megawatts were out for planned outages; and about 800 megawatts were being sold to the United States.

What you might call surplus, what was not being utilized for generation of power on that day, was about 10 per cent of the primary demand. That is on that particular day.

That shifts from day to day because it depends on how much interruptible power we sell and it also depends on what the primary load is at that time. It is lower in the summer than it is in the winter.

**Mr. J. Reed:** What do you propose to do with Bruce B when you complete it, but don't have a line to take the power out?

**Mr. Nastich:** The schedule for the second line, or for some way of incorporating Bruce, is 1987. That's our hope. That means in the period 1982-87 we are at risk as an electric utility with the generation. We are currently looking at how we will operate under those conditions. It may be if the judgement is that that risk is too high, we would have to consider some deferral at Bruce 7 and 8. That's an option that is now being looked at by my system planning people.

**Mr. J. Reed:** Is 800 megawatts the norm at the present time for your interruptible exports?

**Mr. Nastich:** We rarely export interruptible energy. It is very hard to put a megawatt figure on it, but it's about 10,000 gigawatt hours or 10 billion kilowatt hours. I have the figures here.

We are also, as you know, a short-term exporter of capacity to the General Public Utilities system in Niagara-Mohawk of about 550 megawatts. That's a five-month firm contract. We have said we will sell them so many kilowatts five days a week for five months. The others are at will. They are interruptible.

**Mr. J. Reed:** How do you satisfy the National Energy Board requirement and the federal regulations regarding the sale of firm power? How do you relate that to this contract?

**Mr. Nastich:** The regulations are really six months and above.

**Mr. J. Reed:** You are doing it for how many months?

**Mr. Nastich:** Five months. It's the same on the United States side. They have a regulatory problem. They have become much more nationalistic than they used to be. Their tendency is to try to force the utilities in the United States to use their own capacity prior to buying it from an adjoining utility.

**Mr. J. Reed:** Why would they buy it from an adjoining utility rather than use their own? Would it not be more competitive for them to use their own?

**Mr. Nastich:** Every utility has high-cost and low-cost plants. That is a feature called economic power. That means if you have a plant which costs 20 mills to generate; that's your worst plant. My worst plant is at 10 mills per kilowatt hour. There is some benefit in your buying power from me at 15 mills per kilowatt hour. I save five mills and you save five mills. That's the definition of economic power.

In GPU's case, they have no option. They are in some trouble with their generating capacity.

**Mr. J. Reed:** Are you suggesting you are exporting power from low-cost plants in order to sell it more cheaply than they can generate it?

**Mr. Nastich:** No. I'm sorry if I put it that way. I said if your highest cost plant were so much and my highest cost plant were so much but it was less than yours, then there is a mutual benefit in the exchange of power. That's the way we sell interruptible power. There is a system incremental cost.

**Mr. J. Reed:** Do you have prospects for selling any more power or of increasing that amount?

**Mr. Nastich:** We are currently talking with GPU on a technical and economic basis. Let me just give you some background. General Public Utilities is in Pennsylvania. At the moment, there is no direct tie between us and their franchise area. Pennsylvania abuts up to Erie. The thought we are exploring with them is to build an underground cable from Nanticoke to a place near Erie, Pennsylvania, which will be sufficient to export 1,000 megawatts of firm power to GPU. They can pick it up through their transformer there.

What we're looking at now is the technical and economic feasibility of that. If that looks feasible, then we have to decide

whether we want to do that, considering the total spectrum of the environment as well as technical and economic considerations. Later, we will have a series of hearings, both on the Canadian side and on the American side. GPU would have to deal with just as many hearing bodies as we have to deal with on our side.

The possibility is that it would be in the period 1985-90. We're talking about a five-year period.

**Mr. J. Reed:** Would drawing power at that point create a shortfall of capacity for the residents of Ontario?

**Mr. Nastich:** No. If you remember from the select committee the figures Mr. Fisher and Mr. Schwartz were showing you, our load increases at a certain rate. We expect that in the 1990s, depending on whether we assume two, three or four per cent growth somewhere in that period, we are going to be approaching our 25 per cent reserve.

We are cognizant of that and we are saying to GPU that this proposition has to pay off well within the five-year period. We will not go for a longer period because we don't know what the circumstances will be. There will be renewal periods.

**Mr. J. Reed:** Dictating those lead times and calculating your surplus will shrink to the point where you've got the reserve, it will then require that in order to find some power to export you will need to have some full interconnection down in that direction to Lake Erie.

**Mr. Nastich:** We have the 500-kilovolt line I was just talking about between Pickering and Nanticoke. That 500-kilovolt line is in service from Nanticoke to Middleport and pretty well all the way up to Milton. We're talking about 1985. We expect, hopefully, that the first line out of Bruce will be in, so the difficulties of transmission will not cause us to negate this particular deal, if it comes.

**Mr. Watson:** How big a line did you say you were contemplating?

**Mr. Nastich:** They are looking at different voltages. It's from 400,000 volts down to about 200,000 volts. There are electrical reasons why we want to go to the highest voltage possible. That reduces our losses. What we're trying to transmit is one million kilowatts or 1,000 megawatts of power.

**Mr. P. G. Campbell:** Half the size of Pickering.

**Mr. Watson:** What about Bruce GS, the one you haven't got the line built for? How

does 400,000 compare with what there is going to be?

**Mr. Nastich:** The first line out of Bruce will be 500,000 volts. There are four 750,000 kilowatt units there, so there are three million-odd in each, for a total of six million kilowatts out of Bruce, as opposed to 1,000 megawatts. That is 6,000 as opposed to 1,000 – 6,000 megawatts roughly in Bruce while this is 1,000 megawatts. This is equivalent to two units out of Pickering.

**Mr. Watson:** The point I am trying to lead around to is if you can transmit that much power across Lake Erie under water, what are you doing with studies to transmit that much power underground out of Bruce?

**Mr. Nastich:** My data may well be somewhat out of date. There are two problems in underground transmitting. One is cost and the other is insulation. The studies we did for the land side showed a tremendous increase between a line overhead and underground. My ratio was about 20 to 1 when I was working on it. It was about \$200,000 a mile to \$2 million a mile. That may be lower now.

[2:30]

The underground cable from Nanticoke to the GPU will be also very expensive. That's one of the things you have to consider in the technical and economic thing.

**Mr. P. G. Campbell:** If we went by land, it would be a much longer route.

**Mr. Nastich:** The land would be very expensive.

**Mr. Watson:** You are giving me the answer I want. The objection to those lines are the routes and towers and things. Is there an economical alternative? If you are going to put a line across Lake Erie, somebody is going to ask why can't you put an underground line somewhere else.

**Mr. Nastich:** The line across Lake Erie would be substantially paid for by GPU which needs the power pretty desperately. The underground line from Bruce to the distribution system would be paid for by the people of Ontario at a fairly high rate.

**Mr. Watson:** Are you telling me it would be at a 20 to 1 ratio?

**Mr. Nastich:** Those are the figures I saw. When I was in the property division, I looked into it pretty carefully.

**Mr. J. Reed:** It sounds to me as though the fulfilment of that export potential would necessitate some kind of connection from Bruce to Milton to connect up with it.

**Mr. Nastich:** No. The Nanticoke generating station is right there. Nanticoke generates power.

**Ms. Gigantes:** Would you call that firm power?

**Mr. Nastich:** By 1985, we hope it will be. We have eight 500,000-kilowatt units at Nanticoke which generate four million kilowatts.

**Mr. J. Reed:** Is anybody going short of power in southwestern Ontario at the present time?

**Mr. Nastich:** I don't think so.

**Mr. J. Reed:** Is there any shortfall of power in Metro Toronto at the present time?

**Mr. P. G. Campbell:** Not that I am aware of.

**Mr. J. Reed:** Is there any potential shortfall of power anywhere, except perhaps in the Ottawa area at the present time?

**Mr. Nastich:** No. We indicated we are in a pretty good generation situation. We are not so well off in the transmission.

**Mr. Gordon:** Southwestern Ontario is where we have to put in stopgap facilities in order to carry us through.

**Mr. J. Reed:** I only have one other question regarding the hydro corridor. Have you any opinion to offer about the vulnerability of the northeast system, assuming that interconnection is made at Milton? What might happen to the northeast system if any of those corridors are severed?

**Mr. Nastich:** You are talking about the system up in Sudbury and Timmins?

**Mr. J. Reed:** I am talking about our northeastern United States interconnections, the fact we do interconnect. What I am trying to get at is the effect of a severance of that magnitude, understanding that at Milton the whole of Ontario potentially will come into conjunction.

**Mr. Nastich:** I don't know whether I have myself on the opposite side of where I want to be. I am not arguing that we have a great situation at Bruce. I am saying we have a very dangerous situation. I think the Hydro people have been saying this for some time. We have one line on which we have hung a very major nuclear station and we are hanging another one on it.

You are right. The fellows are looking at it with some perspiration because if we have a major outage, we have a chance of damaging very seriously the equipment at Bruce, as well as creating a lot of problems for a lot of people in southwestern Ontario. I am not arguing that we have an excellent situation; I

am saying we don't have. We are sweating about it, and we have been saying this for 10 years. If it sounds to you as if I am saying I am happy with what we have, I am not.

**Mr. J. Reed:** No, I am not. I am not asking you about the existing hardware. I am asking you about the projection of what you have wanted all through this time and what you have justified on the basis of the most bizarre kinds of sets of reasoning over these last 10 years or so. If you do succeed and force through this corridor and connect it up at Milton, where the plan calls for it, I am just asking you about the vulnerability of that system, understanding Nanticoke-Pickering crosses through there, understanding that Bruce-Milton will connect there and that the whole of Ontario and probably the north-eastern United States, if there are active interconnections going, will be subject to the effects of a severance in that area.

**Mr. Nastich:** You are suggesting that the system we have could cause troubles over a very wide area.

**Mr. J. Reed:** Yes, I am suggesting that.

**Mr. Nastich:** We have technical people who are looking at this very seriously. They have been looking at it all their careers. We have relay protections at the various interconnection points. We have to do that to meet our neighbouring utilities' requirements.

If we have a line go out the situation would be that the troubles would be in a fair chunk of southwestern Ontario. Unless the equipment fails, which is always a possibility, the system is set up so that it will be localized. Certainly we are more vulnerable at 230 kilovolts than we are at 500 kilovolts.

**Mr. J. Reed:** I would like to read part of a letter into the record. This is on another area. It is a letter signed by Mr. Jerry Sprackman, president of Landawn Shopping Centres Limited. He writes:

"I am sure you are aware that the Ontario government will soon be starting construction of the Bayfield nuclear power plant which is located 15 miles from Exeter. The Bruce nuclear plant helped spur housing in Port Elgin and Kincardine to unbelievable proportions to the point that Zeyres put a supermarket in both Port Elgin and Kincardine. Both stores are doing exceptionally well. The Bruce nuclear plant employs 8,000 people and their Bayfield plant will have approximately the same number of people."

Would anybody like to make a comment on the Bayfield nuclear plant?

**Mr. Nastich:** We have written to that gentleman. I think John O'Connor in my

operation wrote to say that he was completely wrong, that it was unsubstantiated and he should cease using that. I can assure you from my point of view, because I am responsible for the planning in Hydro, we are not planning a generating station at Bayfield at all.

**Mr. J. Reed:** Thank you, that's okay.

I would like to bring up the yo-yo advertising campaign. I would like to ask any of the senior executives who care to answer, why?

**Mr. Macaulay:** I'd be happy to respond to that if you like. What is the question? Is it why advertise?

**Mr. J. Reed:** Why the yo-yo campaign?

**Mr. Macaulay:** We don't have a yo-yo campaign. We do have advertising running as you know.

**Mr. J. Reed:** I wasn't using it as a figure of speech. I was using it literally.

**Mr. Macaulay:** Neither was I. We are not running a yo-yo ad. We have been, but that's part of an overall advertising program.

**Mr. J. Reed:** That's part of the overall advertising program that says, "How lucky you are."

**Mr. Macaulay:** No, sir, it doesn't say that.

**Mr. J. Reed:** You are there when we need you. Is that it?

**Mr. Macaulay:** Right, it says that definitely.

**Mr. J. Reed:** Hydro is still a bargain because in such and such a year—

**Mr. Macaulay:** Yes, it says that too.

**Mr. J. Reed:** I can't go through it all. I didn't write the ads.

**Mr. Macaulay:** You sound very familiar with them though. I am delighted to know that it has had that impact.

**Mr. J. Reed:** I wasn't even asked to audition.

**Mr. Macaulay:** That was an oversight on our part.

**Mr. J. Reed:** I am concerned that a public utility that is owned by the public and that is selling electric power at cost to the public according to its mandate would feel it necessary to undertake a program of reassuring the public with its own money that it is very lucky to have Hydro there when it needs it.

Can you tell me what it is that has motivated a utility to take this kind of preposterous stance?

**Mr. Macaulay:** We have had a lot of encouragement from a lot of people to be very forthcoming in the things that we do, from

surveys that we have taken of public attitudes and from criticism, scrutiny and analysis that we have been the beneficiaries of from every segment of our society. Consequently the advertising we do, as I think you are probably aware, covers several facets of our activity. Conservation or, as we call it, the wise use of electricity, accounts for a substantial portion of it. What we call information advertising carries with it conservation messages as well—so it is a little difficult to entirely separate everything we do, in an advertising sense into neat little categories—as well as safety advertising, some of which I am pleased to tell you, on behalf of the electricity buyers of Ontario, is carried free by the electronic media at the urging of the CRTC. So we have a wide range of activities.

We have responded to the indications we received through public surveys and suggestions from you, from the select committee, from other members of the Legislature, from the government, from the news media, from the public, that it is our responsibility to be as informative as we can about what we do. As a matter of fact, you will recall there was considerable suggestion that Hydro didn't say enough, although perhaps that has diminished to some extent. I gather now the suggestion is we are saying too much.

**Mr. J. Reed:** No. The suggestion is that—you may still not be saying enough—you are simply promoting a public utility which is a publicly-owned utility in the first place.

**Mr. Macaulay:** That is your choice of words, Mr. Reed, but we believe we are informing the people who own the utility, namely, the people of Ontario, and we set out to do that. How we do it is best decided by the experts in communications in our line of work and those decisions are left to them.

Whether we have somebody standing at the corner of College and University passing out handbills, or whether we are buying time on television, we are communicating, and that is the thing we are trying to do. The basic decision to communicate isn't one in which we have an option. We believe that because the utility is owned by the people of Ontario that we have a responsibility. Once that basic decision is made, then it is a question of the mechanical means and how you do it.

**Ms. Gigantes:** What is the important information, though, that is being conveyed in an ad that says, "Aren't you lucky to have Hydro?" and, "Aren't you glad there

is a surplus there in case you need it sometime?"

**Mr. Handleman:** I feel happier; I have electric heating.

**Mr. Macaulay:** I think the people of Ontario—and we have attempted to conduct ourselves in this manner—are going to have to be parties to some pretty major decisions over the next decade about energy matters, and the advertising we do attempts to provide them with information relative to this.

**Mr. J. Reed:** If you are going to indulge in a campaign like that, why don't you tell the people of Ontario, "How lucky you are because you have 4,000 megawatts of surplus power potential. It is only costing you \$50 each a year carrying charges on that 4,000 megawatts. In time, we will eat up the surplus. In the meantime, we will take your money, but you are very lucky to have that added security?"

You see, there are two edges to the sword on this thing. It may be a great element of security in the minds of some people, who don't understand the difficulties of translating one type of energy consumption to another, especially on a broader base. So it may be a sort of placebo, if you like, to tell people we are lucky we have it. But if you are going to impart what you consider to be information to the public, why don't you impart that information? Why don't you tell them you have this much surplus? Why don't you tell them your required reserve is so much? Why don't you tell them the truth about this thing? We feel, in looking at the thing from the outside, that this kind of campaign is simply an attempt to justify errors that have been made over the last decade regarding the growth of the system.

**Mr. Macaulay:** I am not sure I could put it in a way that might be capable of persuading you, anyway. But in terms of offering the widest possible opportunity for the people of Ontario to have some grasp of what "reserve capacity" means and what "excess capacity" means, we are attempting to do that right now with the advertising we are currently producing and distributing. We think that is information they should have.

[2:45]

**Mr. J. Reed:** I think it is, too.

**Mr. Macaulay:** It is relevant to the decisions that are going to be made over the next decade. We believe that is, partly at least, Ontario Hydro discharging its obligation.

**Mr. J. Reed:** I just have one other question—because I don't want to corral this

afternoon—and that is, how much of an increase in Hydro rates will be necessary to restore the debt-equity ratio of Hydro over the next four years?

Mr. Macaulay: Restore it to what?

Mr. J. Reed: To what it was four years ago.

Mr. Macaulay: What was it four years ago?

Mr. J. Reed: Seventy-five, I believe, or something of that—

Mr. Macaulay: I believe it was something close to 80. But, in any case, I am not sure there is agreement that it should go to where it was four years ago.

Mr. J. Reed: Testimony to the Ontario Energy Board last year suggested there would have to be an increase of 56 per cent in Hydro rates—that is on record with the OEB in testimony by Hydro—56 per cent over the next four years—

Mr. Macaulay: Are you advocating that?

Mr. J. Reed: —to restore a debt-equity ratio. I am asking you to confirm the statement I read.

Mr. Nastich: I will have to look at the data. The debt-equity ratio in 1972, when Task Force Hydro first looked at this, was 78 per cent debt and the remainder was equity.

Mr. J. Reed: Was that '72?

Mr. Nastich: Seventy-eight.

Mr. Chairman: You said 1972.

Mr. Macaulay: It was in 1972, and it was 78.

Mr. Nastich: That's right. They suggested we should stay with that debt-equity ratio as a target. They felt it should have been lower, but they said, "Here you are, try to hang on to it." Then we hit, as you did and everybody else did, a high inflationary period, et cetera, and we have just not been able to do it.

You may well be right on those figures, Mr. Reed. If they were at the OEB, they are correct. All that is a reflection of the fact that we have been unable to get rate increases or rate levels sufficient to maintain that debt-equity ratio.

Mr. J. Reed: Wouldn't Hydro suggest that—the state of the debt-equity ratio, how it relates to what has gone on before, and where you sit—would be suitable information to pass along to the public when you are doing your advertising campaign, inasmuch as Hydro rates are going to be a very, very serious matter come January of next year?

Mr. Macaulay: They are always serious.

Mr. J. Reed: They will be even more serious because, first of all, the so-called anti-inflation rebate will cease and then we will have the increase on top of that, so the consumer is going to get bitten for 16 per cent and he doesn't understand why.

I realize it might be difficult for the utility to admit publicly that they have allowed their debt-equity ratio to slip. I realize it might be difficult for the utility to admit publicly that they have got a horrendous surplus of electric power and that there have been errors made in the past. But I would also suggest that perhaps now, when Hydro has taken on this new stance of levelling with the people of Ontario—

Mr. Macaulay: That's not a new stance. It is just an accelerated, escalated program of distribution of information.

Mr. J. Reed: I stand corrected. Accelerated, escalated and any of the other descriptive words—

Mr. Macaulay: We are just trying harder.

Mr. J. Reed: —that one would like to use—that the time has come to tell them the whole story.

I am sure the chairman will recall my letter to him regarding the publication that the utility has created, and I forget the title of it—Facts you are free to ask about Hydro?

Mr. Macaulay: We Want to Know, I think it is called.

Mr. J. Reed: You Want to Know. I tried to point out to him some of the ways in which the You Want to Know publication was cleverly geared towards creating illusions about electric power in Ontario. One of them was over rates. It had the little bars, and I remember the page—I don't have it with me, unfortunately—but I remember the little bars, and it showed Ontario having the lowest rates compared to all the others that were published in the book. I am sure you remember I pointed out to you in the letter that it might not hurt, in order to balance the thrust, to point out that there were some other places with lower rates.

Mr. Macaulay: I think you have a good point. You will also recall, sir, I wrote you a letter and said I agreed with you and that's what we are going to do.

Mr. J. Reed: Has that book been circulated?

Mr. Macaulay: The new one?

Mr. J. Reed: The one I criticized.

Mr. Macaulay: Yes.

**Mr. J. Reed:** Thank you.

**Mr. Chairman:** You asked for it.

**Mr. Macaulay:** That particular booklet has had widespread distribution. When it comes to a second edition, we are going to make some changes and your suggestions were very helpful to us.

**Ms. Gigantes:** When will the second edition be printed?

**Mr. Macaulay:** When we run out of the first one.

**Ms. Gigantes:** How are you doing on it?

**Mr. Macaulay:** We are doing pretty well.

**Mr. Watson:** Better order a few thousand and distribute them. They will be gone that much faster.

**Mr. Macaulay:** As a matter of fact, we have had requests from MPPs from all over the province, and from all parties, for distribution of that publication.

**Mr. J. Reed:** I hope you carry a little caveat on the back page saying, "There are some errors in this book."

**Mr. Macaulay:** We thought of asking you for a foreword, Mr. Reed, but it was too late to get it in the book; but certainly, we are going to attempt to adopt some of your suggestions.

**Ms. Gigantes:** Mr. Chairman, at an earlier session I asked if we could have an update on the state of uranium requirements and I don't know if that has been done. This arose out of a letter which had been written by the minister to the federal Minister of Energy in September 1979. If the material is prepared, I would be happy to receive it at this stage. I asked for it in the opening session.

I would like to touch on two other areas, if I could. I would like to know, first of all, what is now known about the sectors' demand for electricity and at what rates it has been changing over the last year or two years. In other words, is conservation or a dropping demand curve hitting harder in certain sectors than in others?

**Mr. Gordon:** We would have to get that information for you. We are tackling it on all fronts—the residential market; the commercial market, in which we are being quite successful; and certainly in the industrial market—but I can't give you those figures at this time.

**Mr. Macaulay:** There are some individual instances we could point to, but as to the total number, we will be glad to get them.

**Ms. Gigantes:** I believe it is very important to have some sense of what is happen-

ing in the residential sector, what is happening in the commercial sector, and what is happening in the industrial sector, rather than simply looking at gross drop in demand, because I think it will indicate—

**Hon. Mr. Welch:** Or selective analysis of the—

**Ms. Gigantes:**—sectoral end use, as close as possible, Mr. Minister.

**Mr. Gordon:** For example, in the commercial sector, I was at a function at a Cadillac-Fairview shopping centre, when the developer ran a contest and we were helping them with it. The three winners each had a 40 per cent or better reduction in consumption. One of them was a big store; it was The Bay. There were quite a number of others that fell in the bracket between 15 per cent and 40 per cent.

**Mr. J. Reed:** Did the mall owners participate in that, too?

**Mr. Gordon:** Yes. They gave the prizes.

**Mr. J. Reed:** No. I wondered if they participated by doing some upgrading on their malls

**Mr. Gordon:** How do you mean?

**Mr. Macaulay:** They were around promoting the program to their individual tenants, for obvious reasons, that it was saving everybody money.

**Mr. J. Reed:** I just wondered if the owners who rent the space were actually doing some conservation work on their own, participating in this project.

**Mr. Gordon:** Oh, I think they were.

**Mr. Macaulay:** Yes. For example, we just presented the Eaton mall with a plaque the other day for the work they have done with their operation and with their tenants with respect to that very point.

**Mr. Nastich:** To respond as best I can to Ms. Gigantes, as you know, we've tended to look at our load forecast from a macro point of view. We have taken the economic growth output per employee productivity and from that estimated what gross national product would be. Then we had the relationship between energy and GNP. That is one way of doing it.

We have been criticized very vigorously by Dr. Porter on not using end-use models, which is the way you are moving, and we commissioned a group from McMaster University, called Contact, to develop for us—and they are now doing it—an end-use type of model which separates out residential demand for electricity, industrial demand for electricity and commercial demand for elec-

tricity, based on parameters that affect residential, commercial and industrial. That will give us a different answer, I think, than the macro approach.

What we are trying to do is to bracket the possibilities.

**Ms. Gigantes:** These are forecasts?

**Mr. Nastich:** That's right.

**Ms. Gigantes:** I am asking about the experience.

**Mr. Nastich:** The trend in the last few years. I am sure we can get that. I am sure the fellows who are working on this, Ms. Gigantes, have to have that because you have to have some base from which to look ahead. So the crux for us now is to try to get a load forecast.

**Ms. Gigantes:** Are you collecting figures in that form?

**Mr. Nastich:** I assume we are. I just happen to have this model structure here and one way or another we are going to have to do it in the future. Whether we have exactly that I don't know, but I can find out.

**Ms. Gigantes:** As far as I know, in the past it hasn't been possible to get those figures.

**Mr. Nastich:** We may have to do some estimating here too.

**Ms. Gigantes:** But there are still no requirements, as far as you know, that local utilities attempt to give you their experience of those purchases by sector. How are you going to get the figures?

**Mr. Nastich:** I think we will have to use what they have done in the past, Ms. Gigantes, sampling type techniques; or they may have some data for part of it. The industrial sector is usually better quantified than the others. Residential is the most difficult one.

**Ms. Gigantes:** Can I ask, has there been a financial forecast update since May 1979?

**Mr. Nastich:** No.

**Ms. Gigantes:** None?

**Mr. Nastich:** It is being done now.

**Ms. Gigantes:** When will that be prepared?

**Mr. Nastich:** It is supposed to be done early in the year, in January or February 1980.

**Mr. Macaulay:** Do you mean load forecast?

**Ms. Gigantes:** No, financial forecast.

**Mr. Nastich:** Financial forecast. Let me just explain that. That financial forecast is based on a capital program. That is based on what is called Alternative Six, which was the generation program that was approved by the province and by Ontario Hydro. We are now

looking at a new load forecast which is going to have some effect on the capital program. There is no point in making a financial forecast until you have defined that.

We are right in the middle of trying to get our load forecast together. We are looking at our generation program. The financial model that is used there is also being used on an iteration basis by our people, who say, "All right, if this is the kind of program you have, what are the financial impacts?" because, as you know, the price of electricity has an effect on the growth of electricity. So, if you assume a certain growth and it turns out to be a certain price, you have to feed that information back into the system.

We are right in the middle of that process. When that has settled down by early in the year, then the new financial forecast would come out and would be used as a basis for the rates submission to the Ontario Energy Board in the spring of 1980 for 1981.

**Ms. Gigantes:** I asked that because it seems clear the load growth that was the basis for this financial forecast is not going to be met. That will have the same implications as in the previous year when the load growth was not met and will therefore have an impact on the rate increases that you will be looking for in 1981.

**Mr. Nastich:** If you remember, Mr. Higgins' forecast, which we tabled before the select committee on Hydro affairs, was for three per cent growth in 1979 and three per cent growth in 1980 and going up to four per cent, and 5.25 and 5.25 per cent. He had a fairly low estimate of growth. I think, as you remember from the select committee, we are tracking pretty well on that load forecast for this year. It is not very far off. It is within 0.5 per cent off our peak.

**Ms. Gigantes:** But the three per cent growth he was using before the select committee is one per cent lower than the basis for this financial forecast, on which you have made a projection for your 1981 rates.

[3:00]

**Mr. Nastich:** Let me be specific because I happen to have it. When it was made, the projection for 1980 was for three per cent growth over 1979. For 1980, it was four per cent.

**Ms. Gigantes:** That is not what it says in here.

**Mr. Nastich:** What does it say?

**Ms. Gigantes:** "The 1979 load forecast is lower than the 1978 load forecast and predicts an annual growth of four per cent in

the customer-delivered energy over the period 1978 to 1984."

**Mr. Nastich:** Yes, that is right. What I am giving you is the precise figures year by year. When you take an average it works out to what we are saying here, if you follow me. It is three, three, four and 5.25 per cent.

**Ms. Gigante:** Yes, I follow you. I follow you because it is the same pattern we have seen in previous years, which is that each year we see the predicted economic recovery, the connected demand increase, extended further into the future.

**Mr. Nastich:** Let me answer that specifically. In 1979 we predicted the load would be 15,760 megawatts, which would be a three per cent increase over 1978. That is tracking very close to the evidence before the select committee. For 1980 we again assume three per cent. At present, Mr. Higgins is looking at the forecast for 1980 on, on a long-term basis. He is trying to get a trend line and he is not concerned about what this reflects as a business cycle. He is really trying to determine, much as Mr. Fisher and Mr. Schwartz did, the trend line for growth. That is what we are now looking at for generation purposes.

The purpose you have there is to set rates. He has to come to a more detailed analysis and he has to have the December loads before he can set a base. The detailed load forecast on which that will be based will have to use the actual results for 1979.

I can tell you the economic outlook we have is much more pessimistic for the 1980s than it was in the past. The assumption is for higher inflation rates and higher unemployment rates in Ontario. Output per employee is less than we had estimated. That has what we consider to be a fairly depressing effect on electricity demand over the decade and on into the 1990s.

The concern we have is the relative price of electricity to competing fuel, such as oil and gas. Unless our forecasts are seriously wrong, and I am checking this with the fellows now, it looks like at the end use electricity will be cheaper than oil in the late 1980s. How much cheaper is very critical to the load forecast because, in spite of what the staff of the select committee said which is when you have a lower demand in oil you also have one in electricity, that just happens in the short run, because an increase in oil prices depresses the economy which depresses electricity demand.

In my house I have an oil furnace. If I find out for sure that electricity is going to be cheaper than oil, I am going to shift out

of oil into electricity, particularly when I don't have the gas option. It is very critical for us to know that because if that substitution happens you may find, Mr. Reed, the yo-yo ad was the best thing that ever happened to us.

On the other hand, if oil prices and electricity prices do not separate under that assumption, then we have a much lower load growth. That is the critical point. I am not trying to foresee the answer because it is very important as to—

**Mr. J. Reed:** There is no way of estimating, of course, what change in infrastructure there will be in gas distribution over the next five years. Presumably, there is going to be quite a large one. There are still 800,000 homes within the gas infrastructure that are not yet converted to gas and that accounts for about 65 per cent of the residences in Ontario to this point.

As a supplementary, I wonder if you could tell us if all of the oil-burning residences outside of the gas infrastructure were converted to electricity, what would be the resulting increase in load?

**Mr. Nastich:** That is a good question. I asked that and I am trying to get the answer. It is a macro-type question.

**Mr. J. Reed:** I know it is a macro-type question and it is one that won't be fulfilled entirely, even in the most favourable price situation for electric power, because there are lots of people in that infrastructure outside of gas who are likely to convert to forms of energy other than electric power.

**Mr. Macaulay:** Could I just add a point that I think has some relevance to that? While the area that is not served and may be served by natural gas is important, one of the points that Milan Nastich was making was that the current federal policy—and I guess it will continue—is the coupling of natural gas prices to petroleum prices which will continue to cause that trend to be noticed through the decade of the 1980s. Even if gas is available on a much wider scale than today, which I think is probably a safe assumption to make, regardless of whether we want it to happen or don't want it to happen, on the basis of federal energy policy it is probable that the comparative moving into a more advantageous stage between electricity and oil will also be noticed between electricity and natural gas.

**Mr. J. Reed:** I would suggest too, though, that the federal energy policy also states for new customers of natural gas the tie will be 65 per cent rather than 85 per cent in oil.

**Mr. Macaulay:** No, no, they will collect the upper rate and use the money to provide the service. It won't be reflected in the rate.

**Ms. Gigantes:** It will go to gas distributors, really, not to the gas customers.

**Mr. Macaulay:** For distribution facilities.

**Mr. J. Reed:** Then what you are doing is saying to me that somehow or other you are going to avoid raising rates until gas gets to where it is competitive with electric power.

**Mr. Macaulay:** I don't think we said that. I think we said our rates will continue to rise, perhaps somewhat reflective of inflation of the day, but that perhaps they won't go up, depending on various policies of federal government with respect to energy, as fast of those of oil and gas.

**Mr. Nastich:** Mr. Reed, I want to make a point. I think it has to be clear you cannot substitute electricity for oil in every application. You were right to talk in terms of heating because that is direct.

**Mr. J. Reed:** I think you should write a letter to the Premier (Mr. Davis) and explain that to him.

**Mr. Nastich:** Oil is used for transportation as well and that is not so easily substitutable by electricity unless there is some development. Natural gas is more substitutable for oil in transportation.

As a total perspective we have three sources of energy—electricity, natural gas and oil—each of which has a particularly good efficiency for its own purpose, but oil supply is in trouble so whatever we can do to lean more on natural gas and electricity is good for the province. I am not making a self-serving statement here; it is just reasonably good.

**Mr. J. Reed:** It is good to hear you express those reservations. You are one of the few people in the whole infrastructure who has been quite objective about it.

**Mr. Macaulay:** That's not fair. Come across the street, there are lots of people over there who talk that way.

**Mr. J. Reed:** You should sit in the House with me some day when I am asking the Premier a question or two.

**Mr. Macaulay:** We have enough trouble accounting for ourselves, Mr. Reed.

**Ms. Gigantes:** I don't know if Mr. Nastich would be able to provide figures or make an estimate on this, but there must be concrete figures one can attach to it, suppose, hypothetically, there was a political decision made that we would not proceed with Darlington construction for five years, what

would we save in a five-year period? How much interest would we avoid each year?

**Mr. Nastich:** If you deferred Darlington from three to five years, it would probably cost about \$85 million to \$100 million in present value on a base of \$6 billion. What that means to me is that within the range of estimating error the deferral of Darlington from an economic point of view is neutral. That is you take on one hand the deferral of the interest and carrying charges, and on the other you replace it with fuel which is available at that time. So from an economic point of view, in the three- to five-year range, it's very hard to say that it will either benefit you in economics or it will cost you in economics. I'm talking about cash flow.

From a rate point of view it tends to reduce the rates in the early years and increase them in the later years.

**Ms. Gigantes:** Which assumes that you're going to build Darlington, in any case.

**Mr. Nastich:** The assumption is yes. Darlington is going ahead. Do you mean stop?

**Ms. Gigantes:** I meant if we deferred it for five years, I was then going to move on.

**Mr. Nastich:** Yes, that's right. I think I answered your question for the three to five years. It's economically within the range of error.

**Ms. Gigantes:** When you gave me that explanation you said something about fuels. I didn't quite catch what you were saying.

**Mr. Nastich:** During the period when Darlington is not in service, the load it would have supplied has to be supplied from some alternative source.

**Ms. Gigantes:** That's an assumption that within the period when the first reactor is supposed to come into service we will be needing that power at that time. Therefore, you would be building up alternative fuel charges in some other part of the system.

**Mr. Nastich:** That's right.

**Ms. Gigantes:** If you remove that assumption what would we end up with?

**Mr. Nastich:** That assumption is based on a three per cent growth from now. If you take a three to 3.5 per cent growth from now until that period, you can defer from a load point of view—I think the select committee was confirming that—up to three to five years depending on how you want to do it for work load situations. If you go lower than that, Ms. Gigantes, you're in a situation where Darlington—

**Ms. Gigantes:** What would be the fuel charges you attributed in your earlier decision or statement that there could be no economic benefit immediately attached to it?

**Mr. Nastich:** I don't have that detailed but I can get it.

**Ms. Gigantes:** I would be interested.

**Mr. Nastich:** There is an economic analysis by our systems planning people which is part of the decision-making leading to our judgements on the generation program.

**Ms. Gigantes:** Mr. Chairman, you'll forgive me if I speak directly to Mr. Nastich: You understand that our select committee has made an interim recommendation that no further contracts be let on Darlington until there is a new statement by Hydro and by the government about generation planning for the future and the newest of forecasts that we can devise for planning for Ontario Hydro? We are, therefore, concerned about the kind of attack with which your chairman has become familiar recently, in which the accounting that says such a recommendation is nonsense is done on the very kind of basis you have just suggested to me. This is the so-called economic accounting which assumes if you don't have Darlington by 1987 you're going to have to burn wood, oil, people or God knows what to replace that power.

**Mr. J. Reed:** I'd rather have brownouts or blackouts.

**Ms. Gigantes:** What I want to know is if you don't make that assumption what do the figures look like? I'd like to be able to tell the editorial board of the *Globe and Mail*. I think they should know.

**Mr. Gordon:** That assumption is always valid though, isn't it?

**Ms. Gigantes:** No. It hasn't been valid in my experience.

**Mr. Gordon:** Because if you have the first unit at Darlington on, even though you have an overcapacity situation on the system, you're going to run Darlington. You're going to run that unit because of the lower fuel costs.

**Ms. Gigantes:** Yes, I understand that. Right. As long as you've got it then you're going to run it.

**Mr. Gordon:** So in the economic analysis that Mr. Nastich is talking about—

**Ms. Gigantes:** No, because you may not have to substitute anything else at all.

**Mr. Nastich:** I think Ms. Gigantes is suggesting that if you have, for example, zero

load growth that your peak load would be below the coal-fired and oil-fired generation we have on the system. That is, you wouldn't need it. That's why I used the assumption of three per cent. It depends; if you assume two per cent you get a different answer than you do at five per cent.

**Mr. J. Reed:** That's technically impossible.

**Mr. Nastich:** What is?

**Mr. J. Reed:** To remove the peaking devices.

**Mr. Nastich:** No, I didn't say that.

[3:15]

**Mr. J. Reed:** If you're talking about using nuclear as the generation of choice because it's cheaper, you can only use it to the extent of your base load.

**Mr. Nastich:** That's right, that's my point. I am sorry I made it badly. I said, if, for example, your load was 10,000 megawatts and your total nuclear capacity was 10,000 megawatts then you have no need to use the coal-fired and oil-fired plants and, therefore, you cannot say that when one is out you substitute. That's my point.

So you have to look at the load growth. If the load growth is very low, you don't need the plant, that's for sure. If the load growth is higher you get a different economic answer. I was taking three per cent because that seemed to me to be the middle range between what we were working, two to four per cent. I haven't got my load forecast yet so I said, "Okay, let's take it at three per cent." At that stage you can defer it by three to five years from the point of view of load; from an economic point of view, it's neutral.

Talk on the economic point of view—and the fellows aren't biasing this because they're trying to get the right answer too—then you have to look at other considerations. You have to look at the fact that you would pretty well destroy the work force you have; that if you ever wanted to build anything in the future you've lost that option. There is a nuclear-industry situation. There's the risk you have, on the high side, of the mid-east getting more difficult. There are a lot of things happening—a policy to move to more substitution. All those things are in there.

So it's not only a technical and economic decision. I've given you some relatively limited figures, but it is the broader perspective that you have to look at and that is what we're trying to do. But if you assume a two per cent load growth you have a

different answer than you have at four per cent.

**Mr. J. Reed:** I've been here now for four years, and I've always wondered, as I've watched the whole utility evolving, whatever happened to things like load management, peak control, et cetera?

**Mr. Macaulay:** Stay tuned.

**Mr. Nastich:** Load management is assumed.

**Mr. J. Reed:** Stay tuned? Okay, I will.

**Ms. Gigantes:** Could I continue with the financial line of questioning?

Mr. Nastich, it seems to me that it's quite conceivable for us to go ahead building 12 new reactors by the late 1980s and discover that it's cheaper to use them so we substitute nuclear power for every other kind of generation right down to, and almost including, our hydro power. That's the kind of ridiculous situation we could end up in—

**Mr. Nastich:** Yes, it is.

**Ms. Gigantes:** —where it would make financial sense to let the water flow over the dams rather than to tune up and tune down nuclear production.

**Mr. J. Reed:** Nuclear will never be cheaper than hydro power.

**Mr. P. G. Campbell:** I don't think it will happen.

**Mr. J. Reed:** It's far more reliable.

**Ms. Gigantes:** I think you can make it appear that way, Julian.

**Mr. J. Reed:** You can make it appear to be. You can make all sorts of things appear in all sorts of ways.

**Ms. Gigantes:** There's a certain kind of logic that could lead you to that situation.

**Mr. P. G. Campbell:** Not based on the hydraulic plants we have in service. I don't think you could make that case.

**Mr. Nastich:** They're the cheapest in the system.

**Mr. Vice-Chairman:** Julian, would you concede to let Evelyn finish? You save up your questions and we'll put you on again.

**Mr. J. Reed:** I'll retire to the washroom.

**Ms. Gigantes:** When will you have the kind of information on the specific areas that, obviously, we on this committee and we on the select committee are interested in? When will you have that available? Will you make the "economic analysis" in such a manner that we can break it down into these components and understand what we're talking about when we're talking about it?

**Mr. Nastich:** Which components?

**Ms. Gigantes:** The kind of components we've been discussing here, which are the assumptions you make about fuel substitution because you don't have Darlington operating at a certain year.

**Mr. Nastich:** We have to do that before we get the board of Ontario Hydro to agree to any particular course of action because they're as interested as anybody in the assumptions we make. The experience I've had is when we come up with a decision it's pretty carefully looked over by everybody else. So we would have that data.

To answer your first question, we are working with the Ministry of Energy to make sure that the load forecasts we make are reconciled with the load forecasts of their model. If there are differing assumptions, we want to make sure we understand what those assumptions are. If the assumptions are the same and the answers are different we would want to know what the mechanism is. That's supposed to be somewhere in the middle of December. We expect to go to the board in January with our load forecast and to work with the proposition on the expansion program either in January or February.

**Mr. Macaulay:** Excuse me, could I add a slight amendment to what Mr. Nastich had to say? As you know, the Ministry of Energy—the minister can talk to this more authoritatively than I can—is working on forecasting energy requirements with electricity as a part of that forecast, whereas our forecast is electricity only. So you're not doing electricity forecasts, they're doing an energy forecast.

**Mr. Nastich:** That's an energy demand forecast.

**Ms. Gigantes:** Yes, they brought us their forecast in the early part of the year.

Do you expect now that the assumption or the hope, one or the other, contained in his financial forecast from May that the interest coverage would be 1.35 by 1981 will be fulfilled?

**Mr. Nastich:** I think it's unlikely.

**Ms. Gigantes:** When would you expect it? Is that still a target?

**Mr. Nastich:** Yes, it is. I hate having a target that I keep missing every year.

**Mr. Macaulay:** But you're getting closer.

**Mr. Nastich:** Yes, we are. My own experience has been that it's important we do try to maintain our financial integrity because, as the bond markets become more unsettled, it's very important to have a good credit rating. It's a hard thing to put down in quantity, but when you deal with the issue you know it is.

I would very much like to be able to get to the interest coverage of 1.35 by that period but it involves, as you see there, a fairly large rate increase. That's a judgement we have to make in the corporation. The board finally decides on it and I think they have to balance other factors. From a straight economic point of view, from a straight financial point of view, it would be very desirable. It would be an excellent signal to give to the bond dealers, or the investment people.

**Ms. Gigantes:** Would you still expect that you could meet that 1.35 interest coverage in 1981 if you were allowed the bulk power rate increase forecast here of 17.7 per cent?

**Mr. Nastich:** I've forgotten what the figures are.

**Ms. Gigantes:** They are 17.7 per cent.

**Mr. Nastich:** And it shows an interest coverage of what?

**Ms. Gigantes:** Of 1.35 by 1981.

**Mr. Nastich:** Unless the loads have changed dramatically for 1980—and I don't know that they will; a three per cent growth is not very high, it might be a little lower—I would say that's generally right

**Ms. Gigantes:** What would be the cost to residential consumers of a bulk-power rate increase in 1981 of 17.7 per cent? What would you estimate?

**Mr. Nastich:** My mind is blank on that one. I can't give you the answer but we can get that data for you.

**Ms. Gigantes:** Nine point five for 1980 will end up somewhere around 17 per cent to the residential consumer?

**Mr. Nastich:** Sixteen per cent. Yes, it's a nine per cent increase plus the effect of the rebate ceasing in 1980.

**Ms. Gigantes:** Would you expect the same kind of increase in percentage over the bulk-power rate increase in 1981? In other words, could you add another seven per cent on that?

**Mr. Nastich:** No. The effect of the rebate is a one-time effect. What happened was our rates were at this level and, because of the anti-inflation legislation, the rates went down and down and then you had a one-time adjustment. From then on the slope is normal.

**Ms. Gigantes:** I'd appreciate learning what forecasts you can make about the 17.7 per cent.

**Mr. Nastich:** I can only give you a guess at this stage until the financial people have taken the new capital program, the new load forecast, including the business cycle, and in-

corporate it into that. That will be around March of next year.

**Ms. Gigantes:** I'd appreciate whatever guess you can give us before March because I think it's rather important.

I don't know if this is something you can deal with, Mr. Nastich, but my understanding from looking at this financial forecast is that, roughly, a quarter of the total costs that Hydro incurs every year are interest charges.

**Mr. Nastich:** Yes.

**Ms. Gigantes:** Can you give any estimate of what the change in interest charges might be over the next five years were we to defer Darlington for five years?

**Mr. Nastich:** The assumption is that we defer Darlington for five years.

I can't give you that answer off hand because I think Mr. Campbell's people would have to take a look at their project schedules and how they would re-sort their work forces to meet that schedule. Maybe you can speak to that, Pat. I don't have any general feel for that.

**Mr. P. G. Campbell:** If the project was deferred five years I think we would certainly stop work in the field. We may well stop work in engineering and, obviously, we would stop placing orders. I find it very difficult to give you a figure at this time as to what savings one would make on interest.

**Ms. Gigantes:** Do you keep an account that would give you a year by year expenditure and breakdown of expenditure associated with any one project—for example, Darlington?

**Mr. Nastich:** Yes, we do.

**Ms. Gigantes:** I wonder if that could be made available to us, Mr. Chairman?

**Mr. Nastich:** Yes. For example, the current estimates for Darlington are to spend \$95 million in 1980; \$227 million in 1981; \$401 million in 1982; and \$652 million in 1983. That's all the data I have, but that type of data goes on. It's a bell-shaped distribution curve. That's the alternative of what we're doing now. It's not looking at a deferral.

**Mr. Macaulay:** Are those commitments we've entered into now?

**Mr. Nastich:** No, those are expenditures.

**Ms. Gigantes:** Are these projected expenditures on a year by year basis?

**Mr. Macaulay:** On the basis of existing commitments.

**Mr. Nastich:** Yes.

**Mr. P. G. Campbell:** These are on the schedule that we now have for the plant.

**Mr. Nastich:** That would be labour and equipment.

**Ms. Gigantes:** What I'm trying to find out is if there was the potential we could foresee, looking at the growth rate for electricity over the next several years, for deciding we would postpone Darlington for five years and coming to the conclusion that we shouldn't build Darlington perhaps until the year 2000, which may be the case. We can look back and see we've already committed ourselves to contracts of around \$600 million on Darlington. I understand the cancellation costs of the contracts undertaken would be about 10 per cent. That was the information we were given.

**Mr. Nastich:** That may well be right, Ms. Gigantes. I was just thinking of the turbine generators which have been ordered. I don't know what the cancellation costs on those would be, but they're apt to be quite high.

**Ms. Gigantes:** We were told they would be about 10 per cent.

**Mr. Nastich:** That's about \$70 million.

**Ms. Gigantes:** Yes. Suppose it was \$70 million and suppose the borrowings we would have to undertake over the next five years for building Darlington included interest charges of 25 per cent each year, roughly speaking—

**Mr. Nastich:** Let me make a point on interest, Ms. Gigantes. While a plant is under construction the interest does not go into the cost of power, it's capitalized; so if you decided to defer the plant, all you would charge in the cost was what you've spent up to now, which is a relatively small amount.

**Ms. Gigantes:** If you decided not to build it until the year 2000, you'd start doing your accounting a different way.

**Mr. Nastich:** You would have to write it off. After Pat's people had looked at it, there would be some things that would have to be written off as not being useful.

**Ms. Gigantes:** The point I would like to make and I'm sure Mr. Nastich will understand what I am trying to get at—is the potential may exist right before our eyes to make a decision about where we're going to invest the kinds of moneys which have, so far, been designated for the building of Darlington for the late 1980s. If that potential exists, and if we can see worthwhile programs in which Hydro could play a very large and important role, incorporating into those programs the skills and the experience that Hydro personnel have built up over the years, that would help us meet our energy needs over the next few years, it seems to

me that we might be making a very wise investment which would help us deal much more immediately with our oil crisis as our electricity crisis seems to be rather far off in the future when considering the amount of reserve that now exists on the system.

[3:30]

**Hon. Mr. Welch:** The honourable member is entitled to share the opinion she has. I would assume, without being a member of the Hydro board, that the board has to take into account its total requirements, its total need and the total plan rather than focusing on one particular project which is presently under way. Certainly there has been a great deal of discussion as to what the select committee may or may not be recommending and there has been a great deal of discussion about a report which is not yet tabled. In developing a response—

**Ms. Gigantes:** Tomorrow is going to be a big day all around.

**Hon. Mr. Welch:** —to that report, there are many factors which the government and ultimately the Hydro board will have to take into account

So as far as I am concerned, the member has a point of view and she wants to express that point of view. Ultimately we will have to respond to the recommendations and to the implications of all this discussion.

**Ms. Gigantes:** Let me suggest, Mr. Minister, that Ontario Hydro, its board and its staff have a responsibility to the people of Ontario under the mandate which has been given to them by the Legislature to provide electricity for the people of Ontario. As electricity is clearly not our problem at this stage it might be very wise for you, as minister, to start looking to allowing, encouraging and supporting Ontario Hydro in the field of providing for our energy needs as opposed to our electricity needs. I will suggest to you that there are moneys which will be available for one part of our energy program or another. Either we can put them into building more nuclear stations when there is not a clear and identifiable need at this stage for rushing ahead with nuclear buildings, or we can allow Ontario Hydro to keep hoping—well, along with that, we would allow Ontario Hydro to keep hoping that the demand figures are going to justify a building program which is a very long-run building program. Or, we can say to Ontario Hydro that these moneys are moneys which would have been allocated to it for the purposes of providing electricity. We are willing to see these allocated. We are willing to see the borrowings go on in order to pro-

vide for our oil needs, and cutting back on our oil needs. We are willing to provide the kind of conservation programs that we need and provide the developments both in terms of research and design, as well as in marketing, that I think Ontario Hydro has the skill to bring to renewable energy sources.

**Hon. Mr. Welch:** That's an interesting proposition but I suppose under the present mandate, the Hydro board would be entitled to say to the minister, "Our mandate deals with the provision of electricity."

**Ms. Gigantes:** That's why I am speaking to you.

**Hon. Mr. Welch:** If you are talking about directing resources for the development of other energy forms, perhaps there are other vehicles which you could employ and feed them with resources. Indeed, the honourable member hasn't lost sight of the fact that we do point out in our policy framework that—

**Ms. Gigantes:** You see there is a problem, Mr. Minister—

**Hon. Mr. Welch:** Let me respond—we talk in terms of the development of the renewable energy organization, the role of the Ontario Energy Corporation and the joint agreement with the government of Canada in doing some practical and some realistic things in developing alternative energy—

**Ms. Gigantes:** There is a problem with this just described by Mr. Nastich. Certainly we have heard it from Hydro spokesmen and members of the Hydro board, the chairman before and from you. If we are going to watch a slowing down in electricity production and the building of generation stations for electricity production by Ontario Hydro, then we are going to watch people in Ontario Hydro and people associated with the construction trades with Ontario Hydro be put out of work. Rather than trying to set up a whole new enterprise, to use skills which in many cases I think already exist within this institution, why not at this stage give serious consideration to the possibility of enlarging the mandate and the responsibility of Ontario Hydro and giving it the kind of creative work to do which will allow it to fulfill our energy needs, which is primarily to deal with our oil crisis?

**Hon. Mr. Welch:** The question starts with a pretty big if. I would remind the member that although officials here have been very co-operative to go along with providing answers on the basis of hypothetical questions, she mustn't lose sight of the fact that they have all been pretty hypothetical. There's a lot of consideration that has to go on

with respect to some very basic questions, one of which, of course—and I remind the member she sort of dismisses electricity and the role of electricity in the future—

**Ms. Gigantes:** I am not dismissing it at all.

**Hon. Mr. Welch:** I think that you have been reminded that if, as the figures would suggest, at least two thirds of our energy needs are now met through oil and gas and if, through reasons which are obvious, alternatives have to be found, the role of electricity in that particular picture has to be addressed. The economics and the expansion of a role for electricity is a very serious consideration—

**Ms. Gigantes:** Indeed it is.

**Hon. Mr. Welch:** —and part of that could well provide the need for more production, not less, in order to use a recognized energy source to meet the needs of the people—

**Ms. Gigantes:** Mr. Minister, if we don't have conservation—

**Hon. Mr. Welch:** Let me hasten to say before I, through courtesy, allow you to carry on without letting me finish my comments—

**Ms. Gigantes:** I, too, am being courteous.

**Hon. Mr. Welch:** May I persist at least to this extent, to remind the honourable member—and I notice she has read very carefully the second paper which we produced—it doesn't minimize the necessity of proceeding in a very aggressive way and giving some leadership to the development of other forms of energy and any renewable form.

**Ms. Gigantes:** Well, we are going to have \$7 million this year. You know we are paying \$650 million in interest charges to Ontario Hydro this year.

**Hon. Mr. Welch:** There are fairly significant investments from the private sector in the renewable field too.

**Mr. J. Reed:** The heritage fund, isn't it?

**Ms. Gigantes:** Rather.

**Mr. Vice-Chairman:** Could the chairman ask one question while we are still on Darlington? How many people would it affect if the Darlington project were shut down for five years? How many people would be unemployed?

**Mr. P. C. Campbell:** We have a very small number of people in the field at Darlington.

**Mr. Vice-Chairman:** I am not talking about in the field. I am talking about re-

lated to the whole project, all that is required for the components at Darlington. How many people are we talking about?

**Mr. P. G. Campbell:** I can only give you approximate figures.

**Mr. Vice-Chairman:** That's all right.

**Mr. P. G. Campbell:** We have about 125 people employed in the field. That work will actually be tapering off fairly soon because we are doing the front-end work there. In the design office, engineering and drafting, we probably have, between Ontario Hydro and AECL, about 500 people—that's 600 now. A rough multiplier for people in design and construction versus people employed in industry, in one form or another, would be about three to four times that number. So, if you took 600 people, you are talking about another 1,500 to 1,800 people. Now these are very rough figures.

**Mr. Macaulay:** And those are relatively current. If you are looking ahead two or three years to include the growth of employment under current plans, not only inside Hydro but among suppliers and in the field, then what kind of numbers are you talking about?

**Mr. P. G. Campbell:** You are talking much larger numbers some years down the road. The job really is in its early stages of development.

**Mr. Vice-Chairman:** How much larger?

**Mr. P. G. Campbell:** At one point in time Darlington will have, again, in design and construction, in the order of 3,000 people. Now if you take a multiplier of, say, three to four you are talking about 10,000 to 12,000 people employed in one form or another on that project, either supplying equipment or castings or that sort of thing.

**Mr. J. Reed:** Think what we could do with an equal investment in renewables.

**Ms. Gigantes:** Mr. Chairman, I would like to remind the minister that last week we were looking at what he called the predictions of how many people would be employed in Ontario in what he called the program of renewable energy up until the year 1995. As I recollect, the levels were in the couple of hundreds rather than in the couple of thousands because the program, so-called, is a program which predicts that Ontarians will buy American equipment in large measure to fill their needs for renewable energy equipment and designs up until 1995.

**Hon. Mr. Welch:** I think the record would show we have questioned that conclusion. I used the word "refute."

**Ms. Gigantes:** You may have questioned it, but you certainly didn't make any logical points against it. It's your paper we are looking at. It was the Mitre Corporation prediction.

The Mitre Corporation prediction is that by the year 2000, \$9.2 billion will be spent on renewable energy. That is capital investment in renewable energy in Ontario. And up until the year 1995, most of that will be for purchases of American equipment. There will be very little employment in Ontario associated with that new industry.

**Hon. Mr. Welch:** I think it's important that perhaps we once again put this in the proper perspective. I thought we had last week, but I would ask the deputy to reiterate what we stated last week on that subject.

**Mr. Rowan:** We did go into considerable detail on the genesis of the Mitre report. It was a preliminary report prepared by a company that has some of the best credentials in North America. It is a company that was asked by the ministry to take a look at the solar energy potential in Ontario based upon its experience in the United States. It made certain assumptions and came to some conclusions based on those assumptions. Those were, as I said, preliminary assumptions and conclusions. There is a final report in the process of preparation.

The suggestion that Ontario residents will be purchasing \$9 billion worth of American equipment is a point refuted last week.

**Ms. Gigantes:** I didn't say that, and I didn't say it today either. I said up until the year 1995 most of the purchases that would be going on in that program, which would accumulate to \$9.2 billion spending by the year 2000, would be of American equipment and most of the employment associated with it would also be American.

**Mr. Rowan:** If I misinterpreted your remarks to suggest it was not all but most, as you are saying now, I apologize. We did, however, indicate that was not the intent of the Ministry of Energy, or of the government, which was very much involved in a program to develop a solar energy industry in Ontario and in Canada. I think you will recall I stated that seven or eight of the companies that received federal grants under the solar program were Ontario companies. We are building on that base which now exists. It is not, has never been and never will be our intention that most of the equipment purchased by Ontario residents will come from the United States.

You may quibble, you may argue, you may disagree; you may do a lot of things about the numbers the Mitre Corporation came up with in terms of the amount of employment.

**Ms. Gigantes:** I think they are accurate, unfortunately.

**Mr. Rowan:** If you would like us to arrange for the Mitre Corporation to come and sit down with you to discuss their report, that would be delightful; we would do that.

If you are saying there should be more employment than the Mitre Corporation has identified, and if you are saying Mitre Corporation is assuming the equipment that will be purchased in this province will come from the United States, on the first point, I think you could discuss that with the Mitre Corporation; on the second, I don't think you are correct. The industry will be developed in this province to the extent it is possible to do so.

[3:45]

**Ms. Gigantes:** The industry will be developed to the extent we put some encouragement, support and money into it.

I don't argue at all with the Mitre Corporation report; I just draw to the minister's attention the fact that in 1980 the interest on Ontario Hydro's costs will be \$650 million and we are going to put \$7 million into renewable energy. I consider that to be significant—especially when you always underspend your budget.

**Hon. Mr. Welch:** That's just our contribution to conservation.

**Ms. Gigantes:** You're conserving in the wrong places, Mr. Minister.

**Mr. Rowan:** When one takes a look at the economics of solar energy, which are marginal at best, at the present time—

**Ms. Gigantes:** Do you call nuclear less than marginal, when you are predicting you are going to need Darlington by 1988?

**Mr. Rowan:** I am not sure that I follow—

**Ms. Gigantes:** That's the marginal proposition to me.

**Mr. Rowan:** I am not sure I even follow your logic.

**Ms. Gigantes:** Well, if you are going to compare marginalities—

**Mr. Rowan:** The marketplace, Ms. Gigantes, will determine the amount of investment consumers are prepared—

**Ms. Gigantes:** And you will determine the marketplace.

**Mr. Rowan:** —to pay for solar energy equipment. That in turn, will develop a requirement for that equipment which we hope Ontario-based and Canadian-based equipment manufacturers will be able to satisfy. That is what we are working towards.

We are talking about a period of the next 15 years. If you are saying the forecast doesn't seem terribly accurate, I agree. We are in a field where there is no past history on which to get good estimates. In the case of Mitre, we are dealing with the very best organization around.

As I told you last week, we are not satisfied to have American consultants come into Ontario to look at our situation without having some Canadian, Ontario-based consultants gain all of the experience and knowledge they can from the Mitre Corporation. In this way there can be, if you will, a technological transfer from what the Mitre Corporation has learned in the United States in developing the state of the art down there. We will be able to take advantage of that knowledge and transfer it to Ontario.

**Hon. Mr. Welch:** I think the honourable member and all of us in this room would share a common interest and concern with respect to the whole question of energy security as far as our province and our country are concerned. Indeed, that was the title of the second paper, this whole business of security of the supply of energy. When we go through this paper we see in a very detailed way the recognition of the need to get into renewables and all the other positions which are taken, about which we have had a fair amount of discussion.

I would draw the honourable member's attention to the fact that in that paper we are very explicit when we point out that increasing this province's capacity for energy self-sufficiency means a greater reliance on electricity. We go on to point out that this energy form is most easily produced from our own energy sources—conventional, renewable and recoverable. The role of electricity is recognized as being a very important one when we discuss this whole question of security of supply.

I repeat, once we make that point, this doesn't mean we, as a government, should—and we don't—avoid the necessity of doing some work in other fields, particularly in renewables. Once again, I mention the commitment we have as a government to that particular work.

**Ms. Gigantes:** There is nothing the minister says with which one can disagree—well, actually, I can. I don't believe the production

of electricity is the easiest way we can get to energy security.

**Hon. Mr. Welch:** I just wish you hadn't spoiled that last statement.

**Ms. Gigantes:** I don't believe it is the easiest indigenous way of getting to the energy security you say you seek, and that I believe you seek. I believe the easiest way for us to move towards energy security in Ontario is to put equivalent investments into the area of conservation, energy efficiency and the renewables industry. If we choose to do that in a staged and well-directed way now, using the skills we already have in this province, many of which are already incorporated into the Ontario Hydro organization, we can make much greater advances.

I do believe, Mr. Minister, that in 1990 we will use electricity. I believe also if we continue building nuclear plants at the rate we are doing now we will have no choice but to use electricity. We are devoting so much of our financial resources to the building of this electrical system at the moment that we are not going to have the resources to do the other things which I believe would give us greater security and control over our energy future much more quickly.

**Hon. Mr. Welch:** I understand; and I understand the honourable member makes reference to the uneven investments in other areas. I appreciate the point. They are going to be judgement calls the government will have to make and for which we will be judged.

**Ms. Gigantes:** If we leave it too long, Mr. Minister, there will be no choices open any more. We will have an electric system and we will have to use it. We will have forgone other opportunities.

**Mr. Vice-Chairman:** We would be a lot worse off, though, if we didn't have an electric system and wanted to use it.

**Ms. Gigantes:** There is no immediate danger of that.

**Mr. J. Reed:** I am thinking about the planes taking off at Malton with the long extension cords.

**Ms. Gigantes:** I am quite satisfied for the moment, Mr. Chairman.

**Mr. J. Reed:** I would like a few minutes, if I may, to talk about rates. I know there has been a study going on about rates. Ontario Hydro, for whatever reasons, has shied away from implementing any rate changes that would encourage a private conservation effort on the part of individuals. It is one thing to encourage them, but the people of Ontario have no real incentive at the present

time to do any conserving. The more they use, the cheaper the electric power is.

There have been lots of statements made, or ideas presented, about how rates might be altered in order to encourage conservation. I am not sure I have any panacea as an answer, but I do know that during the time the utility was an all-hydraulic system there was a rate structure which was really marginal-cost pricing—the more one used the cheaper it was. It was simply because if Ontario Hydro wasn't spilling the water over the spillway it was putting it through the turbine and using a higher percentage of its investment. That was good; that was a very sound way to price electric power.

Now that we are in a substantially different configuration in terms of generation, our cost structure does not relate to the cost of production. We say we sell power at cost, and we probably do on the overall basis. But we have never changed our pricing structure from the days of the old hydraulic system where the more Hydro could produce the cheaper it was to produce.

A number of consumers of electric power have complained to me that while rates are rising they really see no incentive to cut back. Their initial block of power purchase is the highest, then they buy further blocks down the line. There has been no encouragement given to a form of self-imposed conservation.

I know there are a lot of techniques used in different areas of the world. There is base-load purchasing in some areas, there is a reverse rating, marginal-cost pricing and all sorts of things. I am quite anxious on behalf of people who are buying electric power that power rates in the future be structured first of all in a way as to reflect more directly the real cost of that production, both for industry and for residential users. At present it does not. In spite of the fact that Hydro has certain interruptible contracts, we don't know when they were interrupted last. Some of those industries buying at interruptible rates really could not stand to have their power interrupted. We know that, too.

I wonder if it would be possible to comment on the rate structure, and whether or not Ontario Hydro is looking forward to a change that is a more adequate reflection of power at cost.

**Mr. Gordon:** We are waiting for the results of the costing and pricing considerations by the Ontario Energy Board before we move in any direction on changes in our structures.

The difference between the two is the structures at the present time are based on

average costs as against some theory like marginal cost. This is a big step to be taken. But the Hydro board has said it wants to get the input from the public through the OEB on the theories of where it should go in pricing. I gather that report will be out shortly.

**Mr. Nastich:** We are quite serious, Mr. Reed. This block structure may take a lot of criticism but if you think about it, the first 50 kilowatt hours is the first block. The second block is 200 extra. From then on in you are at the final rate.

**Mr. J. Reed:** Depending on which utility.

**Mr. Nastich:** I was taking Toronto. The average use in Ontario is about 1,000 kilowatt hours a month. For somebody to say the block rate encourages wastefulness or doesn't encourage the user to concern himself about conservation is surprising because it is such a small portion of his usage.

The other point is that the theory has some validity to it. It really says at the first block rate you should charge for the customer costs. Whether he uses any electricity or not, there is a cost of connecting him, there is a cost of providing for metering, much like the telephone service. The rest of it is an energy cost which depends on your usage. As long as that energy cost is above your marginal rate, you can say you are recovering your costs.

To follow through on what we are concerned about: there has just been a news release to which I think you referred. We are doing studies in Scarborough, putting 1,000 customers on a time-based rate, to see how they will respond to what one might call a marginal-cost rate.

**Mr. J. Reed:** These are daily fluctuations.

**Mr. Nastich:** That's right. There are two studies.

**Mr. P. G. Campbell:** In Scarborough and Oshawa.

**Mr. Nastich:** That's an indication of Hydro saying, "All right, we don't know which way the OEB is going, but we think the time-based rate is a possibility. Let's start getting some data about it." These time-based rates should have a different energy rate at peak and off-peak. Other than that, the design of a rate system gets to be very much a value-oriented exercise. You can find more people, with more rate designs. We have proposed one. But to put it in specific terms, we think time-based rates are the way to go. We hope the Ontario Energy Board also sees it that way. We have no idea what they're going to say.

[4:00]

If we moved before the OEB recommended it, it would be one of the charges of arrogance that we would get. We have been charged with those things before, that we don't wait for the OEB. Now, if we wait for the OEB we get charged with a lack of decisiveness. We get it both ways.

In this case we decided, after two years, that we would wait for the OEB and do the analysis on that basis.

**Mr. J. Reed:** Perhaps, just one more element in terms of rates, on your export selling price. Presumably, your mandate to sell power at cost does not apply to exports. You are allowed to sell power at a profit for export.

**Mr. Gordon:** They price it to the market over there.

**Mr. J. Reed:** You price it to the market?

**Mr. Gordon:** We are in competition with other suppliers in the export market and we price it to try and get as much as we can and still make the sale.

**Mr. Macaulay:** We do not have to sell it at cost for export.

**Mr. J. Reed:** It's interesting that you still consider yourself competing. We've been led to believe there is a great export potential in the United States. Who are you competing with?

**Mr. Nastich:** This is interruptible power, Mr. Reed. This is a day-to-day situation where a utility is having to decide which of its high-cost plants it is going to run between three o'clock and five o'clock this afternoon. The utility says: "We have a very high-cost plant, let's call Ontario Hydro and see if they have some surplus kilowatt hours they could sell us and what the price is. Let's talk to the utilities south of us, east of us, west of us." This is all done by phone.

**Mr. P. G. Campbell:** As an example, Detroit could check with Consumers or it could check with Ontario Hydro, that is, buy from Consumers or buy from Ontario Hydro.

**Mr. J. Reed:** Let's look at this interesting, one month short of six months, firm power contracts to the United States. Who do you compete with there? How do you feel you are in a competitive situation? What's the game?

**Ms. Gigantes:** To New York state?

**Mr. Nastich:** No. This is to Pennsylvania.

**Mr. J. Reed:** Somebody said 500 megawatts of contracts of firm power for five

months. How did you arrive at the selling price there?

**Mr. Nastich:** In those cases you really work at a capacity charge. We attribute a charge for the fact that we are allocating some capacity to them and then we work on a system-incremental basis. That is, we want to make sure we are going to do well on that. That one is going to bring us in gross revenues of about \$52 million.

**Mr. J. Reed:** What does that represent on a kilowatt-hour basis?

**Mr. Nastich:** It's five days a week and it's all days, so it's a high load factor. It's firm power which they need to supply their customers, as opposed to interruptible, which you can't talk about in terms of megawatts because you are going to sell so many kilowatt hours.

**Ms. Gigantes:** Is that a capacity contract?

**Mr. Nastich:** Yes. It was selling 550 megawatts of short-term power to Niagara Mohawk and General Public Utilities for the period I was mentioning.

**Ms. Gigantes:** What capacity is designated for that contract?

**Mr. Nastich:** You don't designate a particular station, you take a capacity charge on a system. It's basically fossil-fuelled equipment that is being used.

**Mr. J. Reed:** Would it be beyond the pale to give us the figures as to what the rates are, what the revenue per kilowatt hour is?

**Mr. Nastich:** That's public information. That's for this particular contract or for the interruptible generally?

**Mr. J. Reed:** No. I was thinking of these contracts particularly and whether or not you were making a net profit selling to the United States. It's one thing to have the capacity and to be able to operate the capacity, but whether you're selling the stuff at a net profit or a net loss, or for that matter, whether you are getting enough for that utility is quite another thing. What is that utility doing with it when they get it? Is that for their internal consumption or do they do something else?

**Mr. Nastich:** I can assure you, Mr. Reed, GPU is using it for their internal consumption. That is the utility that had the Three Mile Island accident and they have had serious trouble supplying their own load.

**Mr. P. G. Campbell:** I think it is usually for the utility's own consumption.

**Mr. Macaulay:** Niagara Mohawk are just wheeling it, aren't they?

**Mr. Nastich:** Yes, it is going through Niagara Mohawk.

**Mr. Macaulay:** But they are just wheeling it through to General Public Utilities.

**Mr. Nastich:** Yes.

**Mr. Macaulay:** I see. Thank you very much, Mr. Chairman.

**Ms. Gigantes:** So we will know the proper figures on the five-month contract?

**Mr. Nastich:** I will give you the figures, yes.

**Mr. Watson:** Could I get your ideas on rural hydro rates which are considerably higher than urban rates?

We hear a lot in Canada today about one price for oil and things of that nature and yet when we look right in Ontario, and some of us represent farm areas, they say, "Look at the rate we are paying for electricity compared to the rate they are paying in town."

**Mr. Nastich:** There are two reasons for that, sir. The first one is a physical or economic reason, which is that the retail customers of Ontario Hydro, who farm, pay the same rate for wholesale cost of power as do the municipalities, as do industrials. This costing system, which we will be reviewing, tries to be a fair allocation.

The difference is in the retail system itself. We have a very lightly loaded system—the density is very low—in our rural areas and in the urban municipalities the density is high. We have the same situation with some small municipalities which have a very low density; their rates are actually higher than the rural. It is a question of rural density.

The second question is why does this not happen in Quebec? The reason it doesn't happen in Quebec is that Quebec deals directly with all of its customers. There are no such things as municipal utilities there, so therefore they take their distribution cost on the whole province and are able to decide that they will level them on that basis.

We are operating as wholesalers. We have approximately 350 different local municipalities which set their rates based on their densities. If you want to equalize municipal rates throughout the province, you have to do something about the municipal structure.

If you want to equalize rural rates with municipal rates, you have to get some sort of cross subsidy from the other classes of customers, if you stay with the same structure.

We are very cognizant of that problem. It is a burning issue with us and if there is some way to do something about it, we would be very receptive. We are waiting to see what the Ontario Energy Board does with the cost-

ing and pricing study which sets out the general parameters, to see what we can do.

It is a real issue and one on which I am sympathetic, but to a large extent it is partially economic and physical and partially institutional.

**Mr. Watson:** If all utilities did that we would have different prices of gasoline at every gas station. Certainly, different parts of Canada such as eastern Canada would be paying world price for oil. We say, "Aren't we great that we are Canadians and we all share in the price and we all have one price across the country?"

Then we come to Ontario, and if you live out in the country where you are responsible for food production, you see it at twice the rate.

**Mr. Nastich:** I think the answer really is if you want equalized rates somebody is going to have to pay more and somebody is going to have to pay less.

**Mr. Watson:** That would be a good idea, yes. That is what we are getting at.

**Mr. Nastich:** The people who are going to have to pay more are pretty vocal also and you would have to get their agreement.

**Mr. Macaulay:** There is also the factor of cost. Mr. Nastich referred to the density. I have forgotten the ratio of density between the average of the municipality utility and the average retail rural customer but as you well know there is a very significant difference. Consequently, as the legislation calls for in the distribution of electricity at cost, there are very significantly different numbers to look at.

**Mr. J. Reed:** There is only one solution.

**Mr. Macaulay:** It is not double, it is about 30 per cent more on the average. It is all over the map, because municipal utilities are all over the map and there are some rural rates that are cheaper than some municipal rates, or vice versa, if you want to put it that way.

**Mr. P. G. Campbell:** The density is nine versus 62 customers.

**Mr. Nastich:** Per kilometre.

**Mr. P. G. Campbell:** Per kilometre.

**Mr. Nastich:** Nine customers per kilometre in the rural areas, versus 63 in the municipalities. You still have the same miles of line for seven customers or nine customers as you do for 63, so the costs are higher.

**Mr. Vice-Chairman:** One of the ways—I wouldn't say the only way—that you could equalize it is if you just got rid of all the municipal hydro utilities.

**Mr. J. Reed:** Are you advocating that?

**Mr. Vice-Chairman:** I am not. I thought that is what you were advocating, one price for all.

**Mr. Macaulay:** There are 335 municipal utilities in Ontario which exercise their own local democratic prerogatives, and I am not sure, Mr. Chairman, whether that is apt to change in the near future.

**Mr. Watson:** I raise it because it is a legitimate concern of people. We get the argument, if you want to live in the country you pay extra for hydro; that is too bad, but that is the way it is. That is where food is produced and, unfortunately, a lot of people who live in the country today think it is too dense now and would like to have rural areas maintained for agriculture. They don't want the density increased, but electric service is extremely necessary to rural people.

**Mr. Macaulay:** Mr. Chairman, could I just offer a comment? I have a conflict of interest which I clearly stated this morning. I am a rural customer.

**Mr. Ashe:** Not for long.

**Mr. Macaulay:** That is right, George, the town of Pickering is going to have a municipal utility pretty soon, but we are no happier than you are about the differential. I can assure you when that electricity costing and pricing study comes out, I for one am going to pounce on it very quickly to see what, if anything, it has to say on this question.

**Mr. Watson:** I don't have a conflict of interest, I am biased; I am a rural customer.

**Ms. Gigantes:** I would like to ask, and I don't know the best person to ask, for a description of how the Dow model of electric co-generation works.

**Mr. Gordon:** It is a long while since I had anything to do with it, but we supplied all of the Dow load at one time and then they had some thermal generation of their own. They decided that they would install further generation, which they did, to supply all their own needs. They have a very high requirement for process steam.

Incidentally, in the co-generation business in Ontario, there are quite a few customers that are in the same category. The pulp and paper industry, for one, have always had co-generation. They have usually tried to match their steam requirements and their electric requirements; they would build them up in units and Ontario Hydro would supply the balance of their requirements.

Dow decided to go the further step and put in enough generation to take care of all their requirements.

**Ms. Gigantes:** Are they feeding into the system now?

**Mr. Gordon:** As a matter of fact they do feed into the system and we buy some of their power. They even went so far as to make an arrangement whereby they would wheel some power through Detroit-Edison and the interconnection over to a plant of theirs in Michigan.

**Ms. Gigantes:** Are there any other industries that are feeding into the grid now in a major way?

**Mr. Gordon:** There may be the odd one, but I can't recall any others. I think Inco feeds into its own system.

**Ms. Gigantes:** One of the things that has, according to industry, retarded the growth of electrical co-generation by industry is the inability to come to agreements with Hydro about feeding into the grid. I wonder if there have been any policy changes in Hydro that will loosen that system up a bit.

**Mr. Gordon:** This is one of the areas we are looking at. The Ministry of Energy and ourselves ran a conference on co-generation about a year ago and quite a high interest was shown.

**Ms. Gigantes:** What has happened since then?

**Mr. Gordon:** I believe we are going to go out—and I am not sure if the ministry is involved as well—and try and discuss specific cases with industries where there was the potential for co-generation. One of the problems is the purchase of the excess, because, in order to make it viable, it looked as if they would have to put in quite a bit more generation than they really required.

[4:15]

**Mr. J. Reed:** I am always a little bit leery of asking Hydro to go out and do cost studies on the feasibility of some of these independent power units. Unless your policy has changed dramatically, up until very recently you certainly were able to demonstrate all the reasons why it wasn't feasible.

**Mr. Gordon:** We like to buy it as cheaply as we can.

**Mr. J. Reed:** That's right. I would suggest—put it on the record—to any company or any private individual who is contemplating generating their own power and then negotiating with Hydro for the sale of it that they do an independent study in order to establish costs.

**Ms. Gigantes:** Mr. Chairman, I would like to say to the minister I can understand why Hydro wants to buy the cheapest power it

can. However, in terms of whether we make a decision to build new capacity, it seems to me important to compare the cost of power that Hydro would buy from Dow Chemical or from another industry with the cost of new capacity if we are in a building program. That is where the comparison should be made, not with the average cost of power that has 6,000 megawatts of hydro mixed in with it.

**Mr. Vice-Chairman:** Any more questions on vote 2001?

**Mr. J. Reed:** I would like to take the opportunity to thank the chairman for allowing me to sit in on a seminar on industrial motor efficiency this week. I think it very beneficial if people can go as an observer, to listen and see what is happening in the industry. Sitting through those sessions brought up a very pertinent question: that is, how many megawatts of potential conservation is there in motor efficiency in industry right now?

**Mr. Nastich:** Roughly, I don't know the specific answer. I know that 52 per cent of electricity load is motors.

**Mr. J. Reed:** And 76 per cent of industrial consumption is motors. I learned that at the seminar. It would really interest me to know how many thousands of megawatts of potential saving there is.

**Mr. Macaulay:** Surely that's guesswork?

**Mr. J. Reed:** That also represents potential capacity. When you are talking about whether or not to build a Darlington, if you are looking at 2,000, 3,000 or 4,000 megawatts of potential savings in motor efficiency with either retrofitting the load-factor equalizer or whether you are looking at installing high-efficiency motors, I think that's very significant. It is at least as significant as the co-generation itself.

**Ms. Gigantes:** I would say to Mr. Macaulay that of course it is guesswork, like anything else one tries to plan for. It's guesswork to say that in 1988 we will be producing power out of Darlington which people will need and for which they will be willing to pay a price that we guess.

**Mr. Macaulay:** Some guesses have more knowns in them than others.

**Ms. Gigantes:** That's why they have to be investigated. Some of these things have not been investigated.

**Mr. Macaulay:** There aren't many knowns in the electric motor efficiency field, but we are attempting to attack that problem because I am sure there is agreement that there is a great potential there.

**Ms. Gigantes:** Does Hydro have a program to study industrial motor efficiency?

**Mr. Macaulay:** We are putting on seminars for that purpose right now through our conservation activity. The point is I think we are underestimating the business managers of Ontario. They have to pay those bills every month and these are significant bills. They are very concerned about the cost of electricity. This is one area in which they can improve, there is no question about it, and we are trying to help them.

As to predicting what we will accomplish in terms of reduction and the need for capacity, I would suggest we would have to pick numbers out of the air to do that.

**Ms. Gigantes:** Unless you do some pretty thorough studies.

**Mr. Macaulay:** It might be possible for Pat to go around and sort of do it on a projected basis. Could we do that?

**Mr. P. G. Campbell:** I don't know. My guess is that there are people who might have some idea what that might represent as a part of the work they have done before the seminar.

**Mr. Macaulay:** Let's take a shot at it then.

**Mr. P. G. Campbell:** This is another area where you have to prove to a hardnosed guy who's operating that motor that he is going to save money before he is through, eh?

**Mr. J. Reed:** Well, it sure sold me. I don't know, but there was a lot of interest at that seminar. There must have been I don't know how many hundreds of people there.

**Mr. P. G. Campbell:** About 300 I think.

**Mr. J. Reed:** From the questions there is a lot of misunderstanding even in industry about electric motors and ignorance, if you like, general ignorance throughout the industry. But, certainly, the economics, the numbers are there.

**Ms. Gigantes:** Mr. Chairman, I think it's probably useful at this stage to refer to American studies. There has been one study done for the ministry this year I believe—I have forgotten the name of it—which included a survey of the industrial managers and questions to them. It was a large survey; I think 1,100 industrial managers were interviewed. I should have brought it down with me.

It was indicated that industrial managers on the whole are looking for something like a two-year payback in energy-efficiency investments. The conclusions that many serious students of this situation have drawn in the United States, where there is already a 10

per cent tax credit for industrial energy-efficiency investments, is that it would pay the overall energy system to give credits as large as 50 per cent for industrial investments in energy efficiency. I think that is something we ought to look at very carefully here in Ontario.

There is a difficulty for an industrial manager making an accounting that in any way reflects the overall benefit to the energy system of the province in terms of an investment. If they are looking for two- or, at the outside, four-year paybacks, they may not find them in many places and it may be worthwhile for us in Ontario to help them find such paybacks, with tax credits.

**Mr. Vice-Chairman:** We have about seven minutes to go yet. Maybe the chairman of Hydro has some remarks he would like to make in closing and maybe the minister has some remarks.

**Mr. Macaulay:** Could I just make one quick comment, Mr. Chairman, to the comments Ms. Gigantes has made?

I don't know where that two-year payback came from. I find it surprising.

**Ms. Gigantes:** Maybe the deputy could tell you. It's a ministry study.

**Mr. Macaulay:** Most business investments that I have had any knowledge of are looked at very carefully in terms of return on investment, but there aren't many you can make where you can figure a two-year payback.

**Ms. Gigantes:** If you plug holes in windows you can.

**Mr. Macaulay:** What I meant was where you would require there be a two-year payback in terms of making an investment that's going to give you an energy saving.

**Ms. Gigantes:** I will bring the study to you.

**Mr. Macaulay:** I can bring one to you right now. I can tell you that business, or any exposure I have had to it, looks at capital investment whether it be for energy saving or anything else, in terms of the return on the investment. If you can talk in terms of 15 per cent, which is six or seven years, you can normally sell anybody who is making investments in private industry or any industry.

**Ms. Gigantes:** I don't know who you are talking to but certainly—

**Mr. Macaulay:** I am talking of myself.

**Ms. Gigantes:** You might make that investment, but there are certainly indications that the level of investment return in some cases

needs to look like 30 per cent before industry will take such investment seriously. They are used to a much higher rate of return than are utilities such as Ontario Hydro.

**Mr. Macaulay:** Maybe we could ask the Financial Post.

**Mr. Gordon:** It would be a very rapid feedback in that particular application if we could build up the market for that kind of motor. I think it was estimated when you get into the larger sizes you could be talking about three years, but you have to build

up the market so the price of the motor comes down.

**Mr. J. Reed:** There were some pretty good numbers in the smaller ones, too.

**Ms. Gigantes:** It might be worth building up the market.

**Mr. Macaulay:** That's what we are trying to do.

Vote 2001 agreed to.

**Mr. Vice-Chairman:** That completes the estimates of the Ministry of Energy.

The committee adjourned at 4:24 p.m.

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